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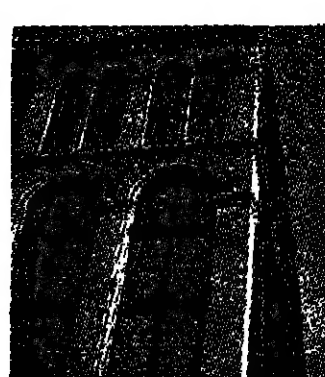


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# FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY JANUARY 20 1993

D8523A

## Helicopter maker in development deal with Russia

Franco-German helicopter manufacturer Eurocopter is to join three Russian companies to develop and market a 30-seat model which will be built in Moscow to compete with western-produced machines. Eurocopter is the first western helicopter group to establish an industrial partnership with the Russian industry. Page 14

**YSL merges with EM-Sanofi** French drug and perfume company YSL-Sanofi is to absorb Yves Saint Laurent to create the world's third biggest beauty products company. Page 15

**Thyssen to raise steel prices** Germany's biggest steelmaker, Thyssen Stahl Group, reported first-quarter sales down 18 per cent to DM2.5bn (\$1.57bn) and said it would raise prices in the spring. Further job cuts are expected as part of the group's restructuring efforts. Page 16; Producers link up, Page 16

**Fresh mission for Bosnia's mediators**

Mediators Cyrus Vance (left) and Lord Owen are to visit Zagreb and Sarajevo today to try to end a flare-up of fighting between Muslims and Croats, while the Bosnian Serb parliament debates the mediators' proposals for a new Bosnian state. Page 14

**Brussels seeks G7 meeting** The European Commission wants a special meeting of Group of Seven finance ministers to strengthen monetary co-operation between the EC and the incoming Clinton administration in the US. Page 14

**Threat to Japan's financial system** Up to ¥5,800bn (\$46.8bn) in bad loans at loosely regulated non-banks - which lend funds usually provided by larger banks - could pose a threat to the Japanese financial system, according to a report. Page 6

**Kenya frees prisoners** The Kenyan government freed its last four political prisoners in a goodwill gesture towards domestic and foreign critics after President Daniel arap Moi's disputed election victory last month. Page 6

**Kantor's fears over trade deal** Mickey Kantor, nominee for US trade representative in the Clinton administration, said he was concerned about the US-EC agreement over farm trade and would "look carefully" at the pact. Page 3

**JAL passes dividends** Japan Airlines, which is to implement a restructuring programme aimed at reversing pre-tax losses forecast at ¥50bn (\$398m) for the year ending March, said it would not pay a dividend. Page 19

**Hong Kong police criticised** A judge investigating a New Year stampede in which 21 young people were crushed to death in a Hong Kong nightlife district, said in an interim report that police failed to control the size of the crowd.

**ITT to restructure financial arm** US conglomerate ITT is to take a \$612m fourth-quarter after-tax charge to cover a restructuring of ITT Financial. It plans to concentrate the finance subsidiary's energies on its more profitable businesses, which range from consumer home equity loans to capital finance. Page 15

**Bright prospects for motor sector** The UK's Japanese car plants will raise annual demand for parts to £5.7bn (\$8.7bn) by 1996 from £5bn last year, according to a study of the motor components industry's prospects. Page 7

**Privatisation rules for Brazil** Investors fear Brazil's privatisation plan may not be viable after the government of President Collor announced rules which confirmed Franco's direct command over the process and barred state companies' pension funds from taking part. Page 5

**Thailand seeks investors** Thailand hopes to persuade new investors to look beyond Bangkok by introducing tax incentives which emphasise development in the provinces. Page 6

**Inflation on target** The UK government is confident its target for inflation of between 1 and 4 per cent will be met despite rising prices in the wake of sterling's devaluation. Page 7

**Avalanche bodies recovered** A total of 53 bodies have been recovered from the snow in Ouzungler village, north-east Turkey, which was hit by an avalanche.

STOCK MARKET INDICES		STERLING	
FT-SE 100	2,737.5 (-25.5)	New York lunchtime	\$ 1,581
Yield	4.44	London	\$ 1,586 (1.5495)
FT-SE Eurotrack 100	1,080.81 (-6.34)	DM	2.485 (2.5022)
FT-A All-Share	1,320.19 (-0.88)	FF	8.44 (8.4722)
Nikkei	16,798.84 (+181.40)	Sfr	2.2825 (2.2950)
New York lunchtime	3,275.52 (+1.82)	Y	194.5 (194.75)
Dow Jones Ind Ave	3,275.52 (+1.82)	£ Index	81.3 (81.7)
S&P Composite	436.74 (-0.10)		
US LUNCHTIME RATES		DOLLAR	
Federal Funds	3 1/4% (closed)	New York lunchtime	\$ 1,581
3-mo Treas Bill Yld	3.040% (closed)	London	\$ 1,586 (1.5495)
Long Bond	7.225% (closed)	DM	2.485 (2.5022)
Yield	7.225% (closed)	FF	8.44 (8.4722)
LONDON MONEY		STERLING	
3-mo interbank	7 1/4% (78)	New York lunchtime	\$ 1,581
Little long fut. Mar 99 1/2	(Mar 99 1/2)	London	\$ 1,586 (1.5495)
NORTH SEA OIL (Argus)		STERLING	
Brent 15-day Mar	\$17.25 (17.45)	New York lunchtime	\$ 1,581
WTI	\$17.25 (17.45)	London	\$ 1,586 (1.5495)
Gold	\$328.8 (328.0)	DM	2.485 (2.5022)
New York Comex	\$328.8 (328.0)	FF	8.44 (8.4722)
London	\$328.8 (328.0)	Sfr	2.2825 (2.2950)
		Y	194.5 (194.75)
		£ Index	81.3 (81.7)
Austria	Sch20	Gr300	Lux
Bahrain	Dm1,250	Hungary	Fl182
Belgium	Bfr60	Iceland	kr190
Bulgaria	Lv25.00	India	Rs40
Cyprus	CY1.00	Indonesia	Rp2000
Czech	Kcs35	Israel	Shs3.50
Denmark	Dkr15	Italy	Lira200
Egypt	E\$2.50	Jordan	Jd1.00
Finland	Fmk12	Korea	Won200
France	Ffr5.50	Kuwait	KWD1.00
Germany	Dm3.30	Lebanon	US\$1.25

## US sends more warships ■ Russia voices west's fears over level of military action

# Saddam tests allies with ceasefire offer

By Our Foreign and Political Staff

IRAQ last night offered the US and its allies a ceasefire from 8am GMT today in a move apparently designed to test the intentions of the incoming Clinton administration and take advantage of growing unease in the west at continued military action.

The Iraqi Revolution Command Council said it would stop shooting, provided the allies did the same, in order to give the new US administration "time to study the no-fly zones in the north and south", and to "establish a constructive dialogue".

Reports from Baghdad suggested that Iraq had given approval for the resumption of UN flights carrying weapons inspectors, but it was unclear whether this would depend on acceptance of the ceasefire. Iraq

**PAGE 6**  
■ Gulf states uneasy over attacks  
■ Iraq ready to reopen diplomatic doors  
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■ Edward Mortimer: the need for a US lead

had previously banned the flights and then imposed conditions unacceptable to the UN.

Iraq's offer came after US military aircraft again attacked targets in the northern air exclusion zone, and Washington announced that another aircraft carrier and three more warships were on their way to the eastern Mediterranean.

UN Security Council members were summoned for closed-door consultations last night amid signs of alarm about the inten-

sity and persistence of coalition military operations.

This concern was exemplified in statements in Moscow, which seemed to conflict with earlier Russian government support for the allied response to Iraq's non-compliance with Security Council resolutions.

US officials acknowledged strains with Russia over the escalation of the conflict although they said the US was still acting in unison with the UK and France, its two principal partners in the coalition.

In London, evidence of growing disquiet at British government policy on Iraq prompted officials to hint that Prime Minister John Major had acted to restrain the US in a series of telephone calls to President George Bush at the weekend.

France also indicated its reserve about US attacks near Baghdad, but defended the legal-

ity of the allied air strikes in the two air exclusion zones in which French Mirages took part.

In Washington Mr Pete Williams, the chief Pentagon spokesman, said yesterday that "the coalition engine... isn't perfect. From time to time it needs oiling here and there".

He added that Iraq kept "sticking a toe over the line" by moving fighter aircraft a few miles inside the no-fly zone which is being enforced by the three allies to protect Iraq's Kurdish population north of the 36th parallel.

US F-14 and F-4G aircraft fired at Iraqi anti-aircraft guns and air defence radars in the northern no-fly zone in incidents described by US officials as "defensive attacks".

Mr Martin Fitzwater, the White House spokesman, refused to rule out further allied attacks on Iraq in the final hours before Mr Bush hands over the presidency to Mr

Bill Clinton at noon in Washington today. "We certainly would not hesitate to respond if necessary," he said.

Mr George Stephanopoulos, Mr Clinton's spokesman, repeated that the new administration would continue Mr Bush's policy of insisting that Iraq complies fully with UN resolutions.

Some of Mr Clinton's advisers are reported to be arguing for a sharp escalation in bombing, a strategy also favoured by some senior Pentagon commanders. Weapons depots and troop concentrations would be targeted with the aim of driving home to Iraqi army commanders that it is they who will pay the price if Mr Saddam remains in power.

The Los Angeles Times reported that General Colin Powell, chairman of the Joint Chiefs of Staff, had on Sunday laid out his recommendations to Mr Clinton, arguing that a more aggres-

sive strategy is needed to seize back the initiative from the Iraqi leader.

A UN spokesman stressed that the main purpose of last night's consultations was to hear an assessment by Mr Rolf Ekeus, head of the UN Commission set up to identify and eliminate Iraq's weapons of mass destruction. That operation has been largely paralysed by Iraq's latest series of violations.

Mr Boutros Boutros Ghali, the UN secretary general, yesterday proposed the deployment of a substantial military force, including three infantry battalions, to protect Kuwait against Iraqi border incursions.

The present observation mission, known as Unikom, is unarmed and unable to deal effectively with incursions, as was shown last week when Iraqis repeatedly entered Kuwaiti territory.

## Clinton's last day as president in waiting

By Jurak Martin in Washington

AT NOON today Mr Bill Clinton becomes the 42nd president of the US. Yesterday he spent a few quiet moments on a cold morning at the grave of the man who inspired him to take up a political career. President John F. Kennedy.

Mr Clinton, his wife Hillary and about 20 members of the Kennedy clan placed white roses on the graves of the two assassinated Kennedy brothers. He read the inscriptions on their tombstones, but said nothing.

He hardly needed to, because it is the stuff of legend (and captured on film) how, just four months before Kennedy was killed in Dallas in 1963, the gangly 17-year-old youth from Arkansas, as a member of the American Legion's Boys Nation, shook hands with the president at the White House.

There is an additional symbolism to the tribute. At 46, Mr Clinton is three years older than JFK when he assumed office, yet both represent the ascent of a younger generation of Americans to the seat of power. It is more than likely that Mr Clinton will again invoke the example and memory of his idol when gives his inauguration speech today.

Most of Mr Clinton's last full day as a president-elect had a youthful theme. He took his customary morning jog and later was to attend a couple of galas mostly for the young. He interspersed this with a lunch for the governors of the 50 states, "our laboratories in democracy", he told them.

Elsewhere, serious business was afoot, with new US bombing raids over northern Iraq and evidence of dissent from members of the US-led coalition forces. On



President-elect Clinton prays at the grave of John F. Kennedy

Capitol Hill, more confirmation hearings for his cabinet nominees were under way.

At least from Congress there was good news for Mr Clinton. The Senate foreign relations committee unanimously approved Mr Warren Christopher as secretary of state, the necessary prelude to confirmation by the full Senate, probably later today. Mr Mickey Kantor, named to be trade representative, got a similar blessing from the finance committee.

The judiciary committee heard

an apology from Ms Zoe Baird, the attorney general-designate, for having employed two illegal aliens. More to the point, his senior Republican, Mr Orrin Hatch of Utah, said the incident was no disqualification to her serving as head of the justice department.

Aides to Mr Clinton promised that as many as 100 sub-cabinet level appointments would be

Continued on Page 14  
Rallying call, Page 4

## IBM plunges to \$4.97bn loss

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines confirmed investors' worst fears yesterday by reporting year-end net losses of \$4.97bn, the biggest annual loss in corporate history, as sales of its mainframe computers dropped sharply in the fourth quarter.

"Our financial results are not acceptable to us or to shareholders," said Mr John Akers, IBM chairman, adding that "difficult problems remain ahead for IBM."

The fourth quarter proved to be IBM's worst ever. Analysts had been expecting a break-even quarter, based upon IBM's warnings issued in December.

However, the company provided little cause for optimism

about its performance in the short term. The outlook for early 1993 remains "unfavourable", IBM officials told analysts.

Net losses for the quarter were \$5.46bn, against losses of \$1.46bn last year. Revenues declined almost 11 per cent to \$19.56bn from \$21.97bn.

IBM took pre-tax restructuring charges of \$7.2bn in the fourth quarter, bringing total charges for the year to \$11.6bn as it struggled to reduce costs by shedding 40,000 workers and cutting back manufacturing capacity.

Net losses for the year were partly offset by a gain of \$1.43bn from a change in accounting for income taxes.

Revenues for the year fell 0.4 per cent to \$64.52bn from \$64.77bn in 1991 when IBM suf-

fered a net loss of \$2.86bn after charges of \$3.7bn for cutbacks.

IBM said it saw a "pronounced" decline in sales of mainframe computers and data storage systems in the fourth quarter. Sales of its AS/400 mini-computers, which had been strong earlier in the year, fell by more than 10 per cent in the final quarter.

Sales in the US and Europe were down by "double digit" percentages in the fourth quarter while those in Japan declined by a "single digit" percentage.

Full year revenues from non-US operations were \$39.88bn, down 1.1 per cent from 1991, with

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## Poorest forced to play their part

By Frances Williams

THE Uruguay Round of global trade talks has marked a sea-change in the role of developing countries in the world economy.

Previous rounds have been confined mainly to the leading traders, with other Gatt members on the sidelines. This time, 65-70 nations are taking part in the talks, most of them from the third world.

The change reflects a fundamental shift in attitudes within developing countries over the past decade or so.

This stems from two main factors: near-universal adoption of growth strategies based on trade expansion and economic liberalisation, and disappointment with the results of special trade preferences, which have proved a poor substitute for more open markets for their goods.

Since the round was launched in 1986, 13 developing countries have joined the General Agreement on Tariffs and Trade, including several least developed countries (LDCs) as defined by the United Nations. Mali, which became a member last week, exported just \$230m (£151m) worth of goods in 1991. Of Gatt's 105 members, three-quarters are developing countries.

However, among the 112 nations entitled to take part in the Uruguay Round about 40 rarely show up. Some very poor or very small countries do not have permanent staff in Geneva. Others have only one or two officials who may have to cover all the UN organisations in the city as well as Gatt. Small exporters may also find it hard to get a hearing from the big economic powers.

In past rounds, this did not matter much. It was possible to be a "free rider" on tariff cuts negotiated between others, which are automatically generalised through Gatt's "most-favoured-nation" rule.

Poor countries were not asked to make concessions in return for benefits, in accordance with the Gatt principle of giving them "special and differential treatment".

But recently non-participants have become uneasily aware that this time they may be in for more than they bargained for. Uruguay Round negotiators have not left much room for charity. Though developing countries are not required to make concessions "inconsistent with their level of development", most have opted to swap concessions for bigger trade gains.

Overall, "special and differential treatment" has been reduced to little more than a longer grace period before developing countries have to apply the same rules as everybody else.

Least developed countries have been given longer transitions and are exempted from commitments to reduce farm subsidies.

It looks as if "free-riding", too, may not be possible. The draft Uruguay Round agreement to create a Multilateral Trade Organisation, with far wider powers and scope than Gatt, requires all intending WTO members to produce tariff schedules and formal offers, however exiguous, to open their services markets. If they are to reap the round's benefits, the smallest and poorest nations will have to contribute their tuppence-worth.

## US 'lacks systematic strategy on exports'

By David Dodwell, World Trade Editor

THE US lacks a systematic government-wide export strategy, which leads to poor co-ordination between export promotion agencies. The US general accounting office, the investigative arm of Congress, has concluded this in a new US government report.

The report, on the role of the US Eximbank, which supported \$12.1bn (£7.9bn) of US exports in 1991, adds that while the bank has made "significant efforts" to improve delivery of its services, the fragmentation among 10 separate agencies results in overlaps and gaps, and "tends to be confusing to the US business community".

The report makes no specific recommendations, but follows hard on a GAO report highly critical of the management of US agricultural loan guarantee programmes, which it says are costly, and cannot prove productive.

"The US government does not have reasonable assurances in today's tight budget

## End Gatt talks, says Dunkel

By Frances Williams in Geneva

MR Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade, warned yesterday that trade liberalisation talks would conclude quickly it could founder.

He told a meeting of the top-level Trade Negotiations Committee (TNC), which oversees the 112-nation round, that the talks were "poised for conclusion", but added: "We are critically short of time. To succeed, we must conclude now or run the risk of drifting into the sands."

The TNC meeting was called to review progress in the six-year-old negotiations on the eve of President Clinton's inauguration today. It follows two weeks of intensive tariff negotiations between the US and the European Community, which failed to produce the hoped-for breakthroughs.

In a clear appeal to the new Clinton administration to conclude a Uruguay Round deal in the coming weeks, before the negotiating mandate granted by Congress expires in March, Mr Dunkel said it "can, and must be, concluded quickly".

He saw "growing fears that a long delay would cause a dangerous loss of momentum - in fact a negotiating vacuum, in

Sir Leon Brittan, the EC's trade commissioner, yesterday urged the incoming US administration to join the Community in pressing for a rapid resolution of the Uruguay Round of trade liberalisation talks, Andrew Hill reports from Brussels.

"Every week we don't have an agreement costs the world dear in money and jobs," Sir Leon told journalists, in his first public statement since taking over the European Commission trade portfolio.

Sir Leon said he wanted to meet Mr Mickey Kantor, the incoming US trade representative, as soon as possible to discuss strategy for concluding the talks.

The US and EC originally hoped a deal could be reached

which even the existing multilateral trading system could be put at risk."

There was mounting frustration that the biggest traders had not provided the leadership for the end game.

Since December, the Uruguay Round negotiations have focused on tariff reductions, initial commitments to liberalise services and possible changes to the draft package of rules, known as the "final act", drawn up by Mr Dunkel in December 1991.

Mr Dunkel said yesterday

before President George Bush stepped down.

Sir Leon said yesterday: "We have not reached agreement, but we have certainly not wasted our time. We have injected new urgency into the process and have prepared the ground for a quick spurt to a successful conclusion."

Sir Leon said he still hoped a deal could be submitted to the US Congress before the administration's current negotiating authority expired.

The official expiry date is March 2, but the authority could be extended and Sir Leon was careful yesterday not to set himself a specific deadline.

"An ambitious and constructive market-opening package, combined with sticking closely

to the Dunkel text [draft conclusions prepared by Mr Arthur Dunkel, Gatt director-general], seems to me to provide the basis for a successful negotiation," he added.

Sir Leon made clear that there was no possibility of reopening last year's controversial deal between the EC and the US on agricultural subsidies before provisional agreement had been reached with other members of the Gatt on the rest of the package.

The agriculture deal is deeply unpopular in France, but Sir Leon said EC member states would get the chance to air their "internal disagreements" formally once the whole package was ready for their approval.

of issues, including creation of a powerful Multilateral Trade Organisation.

Mr Hugo Paemen, EC chief negotiator, told the TNC the Community was committed to a rapid end of the round "within its present parameters". This reflects a widespread fear that if Mr Clinton has to seek a fresh negotiating mandate from Congress, new issues will be put on the Round's agenda, delaying the talks further and risking an unravelling of agreements already made in principle.

## Kantor voices fears on US-EC farm deal

By Nancy Dunne in Washington

MR Mickey Kantor, nominee for US trade representative in the Clinton administration, yesterday expressed "concern" about the US-EC agreement over farm trade, scaled by his predecessor in an effort to push the Uruguay Round to a conclusion.

Just a few minutes into his nomination hearing before the Senate Finance Committee, the California lawyer swept away concerns about his inexperience in trade matters by correcting one senator on the details of the US-EC farm trade deal. He said that he would "look carefully" at the pact, and that improving market access is a critical part of the Clinton trade strategy.

Mr Kantor, a long-time Clinton friend, spoke with familiarity about the whole range of issues which would come before him. However, he declined to commit himself on many points, including the need to extend fast-track negotiating authority.

He agreed with one senator that it was vitally necessary to enforce agreements with US trade partners so that they are

not "just pieces of paper". Trade pacts must be "credible to the American people", he said. He defined himself as "a realistic person" who would not simply assume that other countries support the concept of free trade when the facts indicate otherwise.

Without perhaps meaning to, Mr Kantor sent a subtle message of a shift in US trade policy. When it has to act, the Clinton administration will be more concerned with the reaction of US voters than that of its trading partners. Mr Kantor said he had travelled all over the US with President-elect Clinton, and "I have seen the pain" of jobless Americans.

He indicated a solidarity with the Congress, which has wanted much more aggressive action against US trading partners than the Bush administration. Repeatedly, he offered to consult with the senators - even on a regular basis - before the administration sets its trade view in concrete.

He promised to support a renewal of the controversial Super 301 provision, which requires the US trade representative to single out countries with excessive trade barriers for negotiation and perhaps



Kantor: "realistic person"

retaliation. The Bush administration had opposed the policy.

The US would no longer subordinate its economic interests to foreign and military policy, he said. There will be a "coherent US economic strategy" coordinated within the new National Economic Policy. As trade representative, he will be the administration spokesman in that area, and its negotiator.

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## THE CLINTON INAUGURATION

President Clinton's inaugural address must awaken a nationwide commitment to make America a better place

# The activist generation awaits rallying call

AN inauguration is the ultimate American political rite of passage, intended to set the tone for the presidency to come. Sometimes it does, sometimes it does not.

The most memorable inaugural addresses are the stuff of history. George Washington's first was held in New York and still holds the record for brevity - 143 words. William Henry Harrison's in 1841 was the longest at 105 minutes. He caught pneumonia in the freezing cold and died just over a month later.

Although selections are invidious, four addresses are generally accorded a special place. Abraham Lincoln's in 1861, delivered to a nation in civil war, was perhaps the finest exercise in inaugural oratory, exceeded only marginally by his Gettysburg speech four years later. President-elect Bill Clinton had no trouble quoting Mr Lincoln on Sun-

day night when he called on the "better angels of our nature" to guide his presidency.

Franklin Delano Roosevelt's stirring commitment in 1933 to drag the country out of the Depression was captured on nationwide radio and newsreel and offered hope amid desolation.

"This nation asks for action and action now... we must act and act quickly," might not have a Lincolnian ring but the words were precisely what was wanted.

John Kennedy's generational call to arms - "ask not what your country can do for you but what you can do for your country" - held out similar promise, although, unlike FDR's, it was not fulfilled in his brief term.

In 1981 Ronald Reagan switched the site of the inaugural address to the west-facing steps of the Capitol, a neat symbol for a Californian. He

then declared that government had grown too big and would be cut down to size. His administration proceeded to do what he had pledged.

His second inaugural was also prescient. It was held indoors because of the ferocious cold and although his second four years can be said to have presaged the end of the cold war, they were also marked for some dubious policies (such as Iran-Contra) that were never designed to see the light of day.

Promise, however, often falls short. It was, after all, President Kennedy who started the long, slippery slide into the Vietnam war and the death of 57,000 young Americans, a disproportionate number of whom were black. This, presumably, was not the fate he had in mind when he asked them to "bear any burden" so that liberty might prevail.

In 1977 Jimmy Carter charmed

the country with a thoughtful speech about the inter-dependent world and by becoming the first to walk the length of Pennsylvania Avenue hand in hand with his wife.

Four years later, his reflections seen as indecisive and the millstone of the hostages in Iran round his neck, he was gone.

George Bush in 1989 said he would transform the Reagan legacy into "a kinder, gentler America" and a lot of people thought he had struck just the right note. Today he goes back to Texas as a private citizen because his countrymen concluded he had no idea how to make it so.

It is traditional now that every inaugural speech has grace notes, such as Mr Carter complimenting Gerald Ford for all he had done to "heal our country" and Mr Reagan, less probably, being equally generous to Mr Carter. Mr Clinton will

have nice things to say about George Bush, because it is now accepted and because he is a good charitable Christian.

It was not always thus: John Adams refused to attend Thomas Jefferson's inaugural (the election had been determined, perhaps by connivance, in the House of Representatives) while Herbert Hoover could barely bring himself to look at FDR as they rode to the Capitol together.

Mr Clinton, who is a keen student of past presidents, has adopted a quintessentially eclectic approach to the Jeffersonian ride from Monticello, through the extravaganza that marked the advent of Kennedy and the populist themes so dear to Carter, to tomorrow's open day at the White House.

This, however, will be by invitation only, perhaps because Mr Clin-

ton delved into what happened when Andrew Jackson opened the White House up to his friends in 1829. They muddled the carpets and broke the furniture and Jackson had to escape through a back window.

Mr Clinton will also strive for a distinctive note. He may not be the youngest president - a honour belonging to Teddy Roosevelt, but even more than Kennedy, he is the representative of a different and younger generation. This is a generation born after the last world war and not tempered much, Vietnam apart, by conflict.

For many, opposition to that war was the common denominator. But in an age deprived of the overweening cold war, yet consumed by so many independent flashpoints, the "old" qualifications, including military service, are no longer deemed pre-eminent.

Many Americans of his age, though fired by the social and political activism of the 1960s, subsequently dropped out or got law degrees, became affluent and are now universally known as "baby boomers" and "yuppies". But Mr Clinton, though a lawyer, stayed in government and pushed for change.

His inaugural, like the better parts of his campaign, must be designed to reawaken that activist commitment to make the nation a better place, now stirring after a long sleep. The metaphors he chooses will be unwrapped today, the promises offered to a hungry nation. There will be for a while a positive national desire for him to succeed. The tough part, as ever, is preserving that goodwill when the fires of the inauguration are but embers.

Jurek Martin

## WALL STREET

## Dealers give new team benefit of the doubt

TODAY'S inauguration marks the end of a transition period that has been surprisingly smooth for Wall Street, considering that financial markets face Democrat rule for the first time since Jimmy Carter's departure in 1980.

During the hiatus the markets have marked time, passing judgment on President-elect Bill Clinton's cabinet appointments and speculating on whether the new team has the guts to tackle the structural and financial problems plaguing the economy.

Overall the transition period has had little effect on stock market sentiment and the main economic cabinet appointments were generally well received.

Mr David Hale, chief economist with Kemper Securities, says: "Wall Street has been satisfied with the balance [of the Clinton cabinet] because it suggests that fiscal policy will be cautious and guided by people with a proven ability to work with Congress."

As for economic policy, what little has been gleaned from the transition period has been duly digested by the markets. But it was a modest meal.

That Mr Clinton has appeared to retreat from some of his campaign promises

most notably to halve the deficit in four years and to cut middle-class taxes - did not surprise anyone on Wall Street. During the election campaign the Democrats were widely criticised because their numbers on boosting economic growth by increasing spending and cutting taxes, while simulta-

neously reducing the deficit, never added up.

The gap between election and inauguration, however, has created a few problems for Wall Street, not least for the bond market.

Having enjoyed an unexpected post-election boom - since November the yield on the benchmark 30-year bond has dropped more than 30 basis points to just over 7.3 per cent.

Treasury investors got the jitters early this month when the Clinton camp warned that, because the projected budget shortfall for 1993 would be larger than expected, deficit reduction measures could be put on hold.

The scare was enough to send long-term interest rates up to almost 7.5 per cent. Since then long rates have crept down again, thanks in part to talk of the Democrats introducing a nationwide consumption tax. Statements from key Clinton appointees stressing the importance of long-term deficit reduction have also helped.

Treasury investors, however, remain wary of the new administration and will be Mr Clinton's toughest critics in his first few months as president.

The key feature of the transition period has been the performance of the economy, which in the past few months has shown signs that it will post solid, if unspectacular, low-inflation growth during 1993. It has been the brightening economic picture that, more than anything, has made the financial markets' pre-inauguration "honeymoon" with Mr Clinton relatively trouble-free.

Patrick Harverson

## The new president and his team

Bill Clinton promised to form a cabinet "more like America" in its diversity: except for the preponderance of lawyers, he has probably succeeded. It contains many, like Mr Clinton himself, with minimal Washington experience, interspersed with capital veterans. Mr Clinton has set up the cabinet so that he runs it "top down," relying on the quality of ideas sent to him, but making many of the final decisions himself. He rejects the traditional notion that the secretaries of state, defence, treasury and justice outrank all others, and his cabinet is not designed to foster independent baronies.

However, the Aspin-Woolsey security combination looks distinctive: so does the Vice-President Gore-Babbitt-Browner alliance on the environment, Panetta-Alice Rivlin on the budget and Lake-Sandy Berger at the National Security Council. Many important sub-cabinet level appointments have yet to be announced. The overriding first order of business is to come up with a domestic economy blueprint, to be wrapped into a State of the Union message by mid-March at the latest and include investment incentives, deficit reduction and healthcare reform. Even before then, a series of foreign policy exigencies will require attention.



### Secretary of State

Warren Christopher, 67, promised in his confirmation hearings to travel less than James Baker and to be in charge of the "American desk" at the State Department, connecting domestic and foreign policy.

Considered the quintessential lawyer-negotiator, without pronounced ideology. Believes US embassies should offer more help to US commercial interests. Strong on human rights. Thinks failure of Russian reforms could be catastrophic for democracy.

### Secretary of Defence

Les Aspin, 54, dove-turned-semihawk and pungent defence expert. More interventionist than most recent defence secretaries, which could put him at odds with military top brass like General Colin Powell. Faces tough job in cutting defence budget by 40% while maintaining US technological edge. Has said US might have to intervene in Bosnia. Likely to form strong partnership with Jim Woolsey at the CIA.

### Secretary of the Treasury

Lloyd Bentsen, 71, smooth as old bourbon but with some of its bite. Skilled legislator, especially on tax policy, his principal role will be to get Clinton's economic proposals through Congress. Thinks the greatest US problems are the budget deficit and under-savings. Does not rule out higher petrol taxes. Wants the Group of Seven industrialised countries to get back to its roots and focus on economic growth policies, initially through frequent informal meetings.

### Secretary of the Interior

Bruce Babbitt, 54, an intellectual wild card in the pack, the former governor of Arizona only confirms to interior secretary type from the West. With Vice-President Al Gore and Carol Browner will be the chief "green" in the cabinet and expected to reverse policies considered too friendly to natural resource industries. Could pull strings, however, as his career has often been politically unorthodox.

### Attorney General

Zoe Baird, 46, first-year woman attorney general, one of the nation's top of the legal profession. Corporate lawyer with no trial experience but rated one of the brightest of her generation. Inherits a troubled department with lots of outstanding controversial business (BNI, BCCI, Enron, Intelsat, etc.) and the Iran-Contra affair. May have to excuse himself from involvement in some healthcare decisions because of business connections.

### White House Chief of Staff

Thomas (Mac) McLarty, 46, an Arkansas businessman who is as unorthodox as Babbitt. Confirmed as White House chief of staff, his 40-year experience with his president and his new role as gatekeeper will be a power. Unlikely to maintain high Washington profile. Said to be gracious and polite. Conflicting reports about his organisational skills. Will have to learn fast on the job.

### Other main posts

- Secretary of Agriculture: Mike Espy
- Secretary of Commerce: Ron Brown
- Secretary of Education: Richard Riley
- Secretary of Energy: Hazel O'Leary
- Administrator of the Environmental Protection Agency: Carol Browner
- Secretary of Health and Human Services: Donna Shalala
- Secretary of Housing and Urban Development: Henry Cisneros
- Secretary of Labour: Robert Reich
- Secretary of Transportation: Federico Peña
- Ambassador to the United Nations: Madeleine Albright
- Secretary of Veterans Affairs: Jesse Brown
- Director of the Office of Management and Budget: Leon Panetta
- Director of the Central Intelligence Agency: James Woolsey
- National Security Adviser: Anthony Lake
- Trade Representative: Mickey Kantor



## APPOINTMENTS

## Rush to name support staff

THE incoming Clinton administration may this week announce as many as 100 sub-cabinet level appointments, addressing criticism that it takes over today unprepared to run the country.

Some senior Republican appointees are also being asked to remain in office for the time being for specific tasks, in spite of President George Bush's order that his team vacate premises today.

Reasons for the appointments delay include President-elect Bill Clinton's personal involvement in many of the selections and incomplete FBI background checks.

Some prospective appointments are considered secure, like those of Mr Larry Summers, of Harvard and the World Bank, to be Treasury undersecretary for international affairs, and Mr Alan Blinder, of Princeton, to join the Council of Economic Advisers.

Also apparently certain is the appointment of Mr Tim Wirth, the former senator from Colorado, to a new position as undersecretary of state for global affairs, with emphasis on the environment and human rights.

Mr Peter Farnoff, of the Council on Foreign Relations in New York, appears to be the favourite to become undersecretary of state for political affairs, the number three job in the department. Mr Strobe Talbott, a journalist with Time magazine and an Oxford classmate of Mr Clinton, will be given a new and elevated brief running relations with the former Soviet Union.

Mr Frank Wisner, a career diplomat currently in charge of international security affairs and actively involved in US policy towards Bosnia, is likely to move over to the Defence Department as the influential policy planning undersecretary.

To ensure continuity in troubled parts of the world, it has been reported that Mr Edward Djerejian will be remaining as assistant secretary of state for near eastern and south Asian affairs, a portfolio which includes Iraq. Mr Dennis Ross, a member of Mr James Baker's inner circle, is apparently to be retained as a consultant on the Middle East peace process.

Jurek Martin

## ZOE BAIRD

## Peruvian upset overcome

ANY SERIOUS threat to the nomination of Ms Zoe Baird as attorney general in the Clinton administration was much diminished yesterday when the senior Republican on the Senate judiciary committee flatly stated she should be confirmed in office.

Senator Orrin Hatch of Utah said controversy over her hiring of illegal aliens, a Peruvian couple, for child care and housekeeping work, for which she has paid back taxes and a civil penalty, in no way disqualified her from the position.

In a statement after her prepared testimony, Ms Baird, who, at 40, would be the first woman attorney general in the US, told the committee that

she was wrong in hiring the couple. "I take full responsibility for the action," she said.

Ms Baird was formally presented to the committee by her two home state Democratic senators from Connecticut, Mr Christopher Dodd and Mr Joseph Lieberman, and by the new senator from Washington, Ms Patty Murray. Mr Lloyd Cutler, one of Washington's great power brokers and - along with Mr Christopher, for whose law firm she once worked - a chief sponsor, sat just behind her in support.

In her testimony, she said the Justice Department needed "a deeper sense of purpose" and must be freed from "inappropriate political intrusion".

She cited Mr Edward Levy, attorney general in the Ford administration, as the last exemplary chief law enforcement officer.

In her confirmation hearing yesterday, Mrs Hazel O'Leary, nominated as energy secretary in the Clinton cabinet, predicted a grim future for the nuclear power industry.

Although Mrs O'Leary has been working for a Minnesota utility which uses nuclear power, she said that new nuclear plants were not economically competitive, if the cost of construction was included.

Jurek Martin and George Graham

## HEALTHCARE

## Reform is vital to health of the economy

OF Mr Bill Clinton's dozens of pledges made during last year's campaign, the one that arguably matters most was a promise to reform the healthcare system. His performance here may decide the success or failure of his presidency.

Healthcare matters for its own sake. About 33m Americans (more than the population of California) are currently without insurance. At a minimum Mr Clinton must sharply reduce infant mortality rates (at present among the highest in developed countries) and increase the miserably low proportion of inner-city children being immunised against common diseases.

But healthcare is more than the most pressing social problem. The extraordinary escalation of costs - what the OECD calls the "worsening paradox of excess and deprivation" has turned healthcare into one of the US's most intractable economic problems.

For three decades, healthcare spending has grown at an annual rate of 6 per cent in real terms, more than doubling its share of gross domestic product to about 14 per cent, far above the international norm of about 8 per cent.

The ballooning inflation of health costs is putting intolerable strains on state and federal budgets. Federal spending on Medicare and Medicaid, the public sector programmes for the elderly and the poor, is expected to rise by 87 per cent over the next five years to \$92bn (228bn), thus accounting for half of the total projected increase in federal outlays. It will be impossible to reduce the \$300bn budget deficit significantly unless health care spending can be brought under control.

And if the deficit is not reduced, there is little hope of raising savings and investment rates, which are among the lowest in the industrialised

world. Yet in the longer term, the rate of economic growth can be raised only by increasing savings and investment. Mr Clinton's hopes of improving the living standards of the "forgotten middle class" thus depend on the successful reform of healthcare.

There is also a "micro-economic" link between healthcare obligations to employees and pensioners - a burden without parallel in other industrial countries.

Ford's healthcare costs have tripled as a percentage of payroll from 6 per cent in 1970 to nearly 20 per cent today. It spends as much on medical care as on steel.

The US faces more intractable problems than other countries for two main reasons. In the first place, it relies on employers as the principal (yet voluntary) source of health insurance for the non-elderly population. Since increasing numbers of small and medium-sized companies are unable to afford the cost of insurance premiums, this, in effect, guarantees gaps in healthcare coverage. Four-fifths of uninsured

Americans are employed or dependents of employees.

The other unique characteristic of US healthcare is the dogged belief that costs can somehow be controlled by normal "market forces". In every other advanced country, the government has stepped into the health market, either to set an overall expenditure limit (as in Britain's National Health Service) or to regulate the volume and price of services that doctors and hospitals can charge. In the US such controls are being imposed on Medicare and Medicaid spending, but this accounts for only about 40 per cent of the market.

Ms Donna Shalala, the university administrator named as health secretary, has signalled that the incoming administration intends to tackle both of these fundamental problems. She wants to set a national budget for both public and private health care spending. At the same time, gaps in cover-

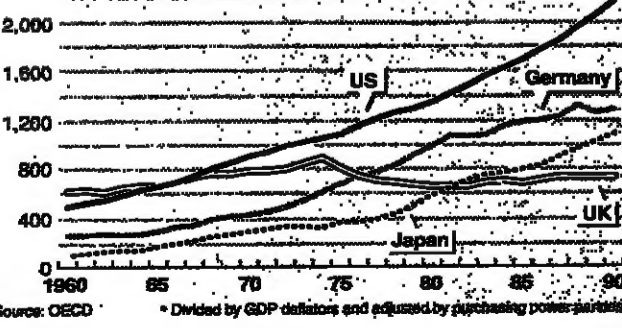
age would be plugged by introducing a form of "managed competition". Everybody - uninsured individuals as well as members of corporate plans - would be enrolled in regional healthcare purchasing co-operatives which would buy care from competing providers in the private sector. In theory, the co-operatives' market clout will ensure that members receive high-quality care at the lowest possible price.

The managed competition route looks promising. But efforts to control costs will succeed only if strict limits are set on the use of expensive new technology and drugs, on the prospective incomes of physicians (which are far higher than in other countries) and on the hugely inefficient private insurance industry. Yet this requires a direct confrontation with some of the nation's most powerful interest groups.

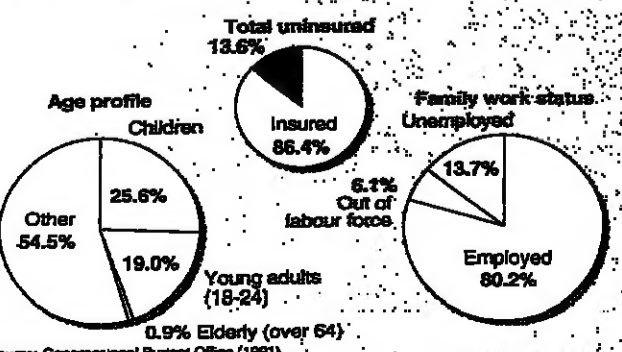
Michael Prowse

## The US healthcare dilemma

Per capita real health expenditure (\$)



## Characteristics of the uninsured



Source: Congressional Budget Office (1991).



## Argentina widens trade gap estimate

By John Barham  
in Buenos Aires

ARGENTINA has again raised its official estimate for the 1992 trade deficit, adding to concern about economic reforms.

The deficit is now put at up to \$2.5bn (£1.64bn), against \$1.5bn before, according to planning secretary Juan Liach.

At the same time, unemployment and under-employment in October rose to 7 per cent and 8.1 per cent respectively, against 6 and 7.9 per cent a year earlier, the Indec statistics agency said. Independent researchers at the UADE business school reported that workers' purchasing power fell 8 per cent in December.

Mr Pedro Lacoste, an economic consultant, blames rapid economic change for the apparent contradiction of a rising trade deficit and increasing unemployment. Unreliable statistics worsen the confusion, he says.

He believes the employment data reflect a heavy shakeout in industry, as companies struggle to boost productivity, and he expects inflation and the trade deficit to fall sharply this year.

However, Mr Jose Luis Machinea, chief economist at the Union Industrial Argentina, an employers' grouping, says the trade figures reflect low productivity. "Productivity growth has to be based on investments, but this takes time. It will take four to five years to close our 15-20 per cent productivity gap."

Mr Machinea says the doubt is over how the ensuing trade deficit will be financed and whether industry will invest sufficiently. He warns that imports are replacing domestic production, while investment is insufficient and is directed at service sectors, which do not generate hard currency.

The government, though, insists all is well. The Planning Secretariat says the trade deficit may persist this year, but will then fall sharply. Officials add that capital goods are a large component of imports.

# Brazil's leader takes over state sell-off

By Christina Lamb  
in Rio de Janeiro

THE Brazilian government yesterday announced new privatisation rules. These confirmed President Itamar Franco's direct command over the process and barred state companies' pension funds from taking part, prompting investor fears that the programme

may cease to be viable.

The rules, in the form of a 63-part decree, establish Mr Franco as head of the privatisation process with the right to intervene at any stage. He can also decide on a case-by-case basis the level of participation of foreign capital and "rotten money" - domestic debt swapped at par, which has accounted for 87 per cent

of the \$4bn raised so far.

Announcing the changes, Mr Paulo Haddad, economy minister, said foreign participation might be more than the current 40 per cent, and as much as 100 per cent, depending on the company.

However, the decision to disqualify the state company pension funds caused concern among investors, who fear

that without them there might not be enough money in the economy to make the sell-offs feasible. The São Paulo stock exchange index fell back from a 2 per cent rise to a 0.9 per cent loss on the news.

The pension funds represent an investor potential of \$25bn (£16.4bn), Mr Haddad says, and they have been the main participants in the programme

so far. For example, 95 per cent of rail carriage maker Mafersa was bought by the federal railways pension fund.

Mr Francisco Baker, the presidential spokesman, said: "Mr Franco feels that the participation of parastatal pension funds benefits a very small group of Brazilians and constitutes using state money to buy state companies."

However, some investors suspect Mr Franco, a past critic of privatisation, of trying to slow it down.

One foreign banker commented: "There seems little doubt now that he is trying to scupper the process." The programme has been suspended since early December, but Mr Franco has promised that it will resume in March.

## Mexico puts last companies on sale

By Damian Fraser  
in Mexico City

THE Mexican government aims to wrap up its privatisation programme this year by selling 37 more state companies, the Finance Ministry announced yesterday.

The sales could raise \$4bn-\$5bn and, as with previous privatisation receipts, most of the money will be used to retire public debt. The administration of President Carlos Salinas has so far sold, or closed down, 383 state-owned companies, for a total of \$4.5bn pesos, or around \$22bn (£14.4bn).

The government will sell off by March, in a single tranche, the state-run television Channels 7 and 13, the national newspaper El Nacional, and various cinemas. Its declared aim is to create a media company able to compete with Televisa, Mexico's dominant entertainment group.

Televisa has interests ranging from television (90 per cent of the market), to the Mexico City football team, video shops and record labels. It has long used its domination to support the ruling Institutional Revolutionary Party, in continuous power since 1929.

The government also hopes to sell Aseguradora Mexicana, the state-owned insurance company, assets of the Fertilizante Mexicana company, several hotels, and concessions to run most of the country's main ports, including those at Acapulco, Lazaro Cardenas, and Manzanillo.

One of Mexico's recently privatised companies, AeroMexico, has had its apparently successful bid for AeroPeru contested by the Peruvian runner-up, Naviera Santa. AeroMexico and a consortium of Peruvian investors bid \$54m for 70 per cent of AeroPeru over the weekend, \$8.7m more than Naviera Santa.

Naviera claimed that the Mexican carrier controlled other members of the consortium, and thus had broken the rule against foreign majority acquisition.

# Fiscal changes tax new 'moral' congress

Positive vote is essential to restore national credibility, writes Christina Lamb

AFTER seven years of discussion and delay, the moment of truth should arrive this week for Brazil's commitment to fiscal adjustment, when congress votes on higher taxes to plug a \$13bn (£8.5bn) hole in this year's budget.

Long mooted as the key hurdle in overcoming the decade-long economic crisis, the vote on fiscal reform is the first test of the new administration of President Itamar Franco. Its outcome will also expose the ability of 503 congressmen to build on their new "moral" image, achieved through their recent impeachment of President Fernando Collor, by rising above their own parochial interests for once.

The measure is far from the full-blooded reform necessary to guarantee sustainable budget balance. However, its approval is essential if the government is to resurrect a lapsed accord with the International Monetary Fund - talks on which are due to resume on February 9 - and thus restore international credibility.

The Franco government is not the first to draw up fiscal reforms, but previous efforts have always been stymied by the highly fragmented political system, lack of will, and - since 1988 - an incredibly restrictive constitution. However, Mr Paulo Haddad, the newly-appointed economy minister, says the situation has now reached breaking point. With the government project-



President Itamar Franco: first test of his administration

ing a primary or non-interest deficit of 2.3 per cent of gross domestic product, he says there is no money to pay government employees or pensions or undertake desperately needed investments such as repairs to the country's highways, many of which have degenerated into cart-tracks.

The main proposals to raise these funds are a 0.25 per cent tax on cheques, estimated to bring in \$7bn, a tax on selected products such as drinks, fuel, cigarettes and telephone calls, and a tax on company assets.

Mr Franco has spent the last week negotiating with the presidents and parliamentary leaders of the 19 parties represented in congress and the governors of the 27 states. His self-effacing style and years of political experience have brought him far closer than his high-handed predecessor to clinching a deal.

But despite all the fanfare, Mr Carlos Langoni, economic professor at the highly-regarded Getulio Vargas Institute in Rio de Janeiro, says the project is "merely a quick-fix solution not touching the structural problems". What the congress is debating is simply a tax-raising exercise on those already paying, when the real problems are widespread evasion, a bankrupt social security system and a blatantly unfair distribution of revenues between central and local government, he says.

According to the tax authorities, only 7m out of an economically active population of 61m people pay income tax, and last year's income tax revenues of \$35bn are thought to be only half those owed. This means that the deficit could be solved just by cracking down on a third of the evasion.

But the proposals contain no provision for strengthening the tax collection service other than authorising the Economy Ministry to lift banking secrecy - and that proposal is not expected to be passed.

On the expenditure side, the pivotal problem is the 1988 constitution, which increased the proportion of revenue transferred to local government, without also passing on the responsibilities of tax collection or provision of services.

The tax income of states and cities has risen from 8 to 12 per cent of GDP under the new constitution, and Mr Collor frequently complained: "The problems of this country will never be solved while for every

four cruzeiros the centre collects it only keeps one." As a result, for example, the federal hospital system has all but collapsed.

Moreover, while the federal government has cut its payroll expenditures, those of local governments increased 77 per cent between 1985 and 1990. Mr Rogerio Werneck, a fiscal expert, says: "States and cities have been spending way above their fast-growing revenues and have no incentive not to, as they are always bailed out by the central bank." With only three states solvent, local governments now owe the federal government \$48bn - more than Brazil's debt to foreign commercial banks.

The structural reform to resolve this is not being tackled because congressmen need state and municipal machinery for re-election and will not vote for something that cuts at the root of support.

So the easy answer is to increase the taxes of those already paying. But economists like congressman and former planning minister Antonio Delfino Neto are sceptical about the wisdom of this when the economy is still in recession: "Any increase will result in real reduction of salaries and increase in unemployment."

He says the government should be concentrating on finding a solution for the main cause of the overall deficit - the bonded domestic debt which snowballed last year by a real 178 per cent to

Cr12.400bn (£590m) partly because of high real interest rates averaging 30 per cent. Mr Neto suggests using foreign exchange reserves, which are at record levels of \$34bn, to buy back some of this debt (interest payments on which swell the overall deficit to 6 per cent of GDP) and initiate a road improvement programme. Then, he would wait until a constitutional review due in September for profound structural reform.

The government has already obtained some fiscal relief through a new corporate withholding tax on financial gains. Passed on Christmas Eve, partly to encourage investment in productive, rather than speculative, activity, this is expected to bring in \$6bn, though it may be challenged in court. Many analysts yesterday feared congress would decide that this new tax solves half the problem and the country can therefore muddle through without the rest.

In fact, by international standards and excluding its growing interest bill, Brazil's primary deficit is not that high. The real problem is confidence, and fiscal reform has been talked about for so long that it has become the *sine qua non* to restoring government credibility both at home and abroad. Although Mr Haddad warns that "Itamar can't do miracles", it would be ironic if the president who cares the least about IMF recommendations of any recent Brazilian leader were to come closest to fulfilling them.

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**London, 15 & 16 March 1993**

The Financial Times fourth conference on the water industry will examine the ever-tougher yardsticks set by the European Community and its member states, the cost of up-grading water quality and moving to new methods of waste disposal. Opportunities and challenges for companies seeking fresh markets in Eastern and Central Europe will also be assessed.

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Minister for the Environment and Countryside

**The Rt Hon The Lord Crickhowell PC**  
National Rivers Authority

**Mr Tom Garvey**  
EEC

**Miss Janet Langdon**  
The Water Services Association of England and Wales

**Dr Jürgen Müller**  
Deutsches Institut für Wirtschaftsforschung

**Dr Leszek Baginski**  
Polish Ministry of the Environmental Protection, Natural Resources and Forestry

**Mr Ian Byatt**  
Office of Water Services

**Mr Jean-François Didion**  
Lyonnaise des Eaux Dumez

**Mr John Bellak**  
European Waste Water Group  
Severn Trent Plc

**Professor George Fleming**  
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## NEWS: INTERNATIONAL

## RESCUE OPERATION UNDER WAY

## Bad loans threaten Japan finance system

By Charles Leadbeater  
in Tokyo

A BUILD-UP of up to ¥5,800bn (£30.68bn) in bad loans at loosely regulated non-banks could pose a serious threat to the Japanese financial system, according to a report by the research arm of Nippon Life Insurance, the country's largest insurer.

Many of the non-banks are affiliated to commercial banks and large industrial groups. Non-banks are regulated by local government officials rather than the ministry of finance.

They lend but do not take in deposits from savers and are usually financed by loans from larger financial institutions, mainly banks.

The report by the NLI Research Institute says an extensive rescue operation is under way to prevent any large non-bank from going bankrupt. The non-banks have loans worth ¥98,000bn outstanding,

## Non-banks may have bad loans of up to ¥5,800bn

about 40 per cent of them to the real estate industry which has been badly hit by the fall in land prices over the last two years.

Non-banks had loans worth about ¥3,000bn to corporate clients which went bankrupt between autumn 1991 and December last year, the report says. In addition they had loans worth about ¥2,000bn to clients which NLI classified as having borrowed excessively.

The report says that at least 50 non-banks are being supported by their larger financial affiliates, which have reduced the interest rates they are charging on loans to non-banks. These include 25 non-

banks which are affiliated to commercial banks and seven housing loan companies.

Of the 60 non-banks which NLI identifies as receiving financial support, about 33 have been given interest rate exemptions and reductions on borrowings worth about ¥6,600bn.

The report puts the annual value of these interest rate reductions and exemptions at ¥2,500bn.

The report estimates that 34 of these financially troubled non-banks have bad loans, mainly to property companies, which are worth ¥6,800bn.

According to finance ministry figures the top commercial banks had bad loans worth about ¥12,300bn at the end of September.

However this is widely believed to be an underestimate of the extent of bad loans in the financial system, as it does not include bad loans at regional banks and among non-banks.

## Angolan fighting closes oil terminal

THE West Africa division of Texaco said yesterday that about 79,500 barrels a day (b/d) of Angola crude production has been shut down because of fighting between Angolan troops and rebels has forced the closure of an oil loading terminal at Soyo, AP-DJ reports from New York.

Soyo terminal operator Fina Angola shut down the field early on Monday and asked Texaco to halt the 55,000 b/d output from its offshore field and a 24,500 b/d onshore field, a spokesman said by telephone from Florida.

Unita rebels began fighting on Monday to capture oil-rich areas in the north and retake their headquarters in central Angola.

Soyo is the base area for five foreign-owned petroleum companies, staffed by Angolan nationals and some 500 foreign workers from Portugal and other European countries, according to the Portuguese news agency LUSA.



Pilots and deck crew check bombs aboard the USS Kittyhawk

## Iraq holds out an olive branch

By James Whittington in Baghdad and Our Foreign Staff

IRAQ, which last night offered a ceasefire with the US-led forces to come into effect this morning, appears to be starting to seek ways to reopen lines of diplomatic communication with the west.

Earlier yesterday the Vatican said it had agreed to an Iraqi request to ask Mr Boutros Boutros Ghali, the UN secretary general, to promote dialogue between Baghdad and the allies aimed at ending the current crisis.

Mr Wissam Chawkat al-Zahawi, Iraq's ambassador to the Vatican, conveyed the request yesterday in talks with Archbishop Jean-Louis Tauran, the Holy See's foreign minister.

What seemed to be another olive branch was offered to president-elect Bill Clinton by

President Saddam Hussein's press secretary, Mr Abdul Jabbar Muhsein, in an open letter published in yesterday's al-Thawri newspaper. "Mr President, the people did not elect you to (continue) with these policies... be with change, with a real new world as you promised... hostility towards Iraq will deny you the realities on which the legitimate interests of your country stand," it said.

But Baghdad did not immediately renounce its rejection of the no-fly zones north of the 34th parallel and south of the 32nd parallel as illegal, and has been arguing that Washington had no backing from the UN Security Council for its recent attacks which it says have killed at least 45 people.

A Revolutionary Command Council statement offering the mutual ceasefire said merely that "This gives the new

administration in the US time to study the no-fly zones in the north and south" and time "to establish a constructive dialogue".

Iraq has been hit four times in less than a week by allied air attacks to enforce the no-fly zones and UN Security Council resolution 688, despite the fact that, unlike UN resolutions on Kuwait, resolution 688 contains no provision authorising states to enforce compliance. The Iraqi regime, ahead of the statement last night, had said it would continue to resist what it sees as an infringement of sovereignty.

Mr Tariq Aziz, deputy prime minister, said the no-fly zones was part of a hidden agenda by some western nations.

While voicing the right to resist the no-fly zones, the regime seems to be softening its stance towards the UN. After the initial stand-off week

in which Iraq said that it could not guarantee the safety of UN flights, Mr Aziz on Saturday said that the UN special committee could enter Iraqi airspace from the west through Jordan. The following day Mr Mohammed Saad al-Sahaf, Iraq's foreign minister, issued a statement saying that UN aircraft could fly directly from Bahrain to the Habaniya airfield in Iraq if all allied patrols over the southern no-fly zone are suspended during the flights.

Iraqi officials earlier yesterday confirmed that both options are still open, although they have not been deemed adequate by the west.

The regime says it has this week stopped all raids across the border into Kuwait and police posts have been removed from inside Kuwaiti territory, both the cause of friction with the UN.

## New machinery orders fall 16%

By Charles Leadbeater

JAPANESE corporate investment in new plant and equipment is still depressed according to official figures published yesterday. They show that orders for new machinery in November were 16 per cent down on the year before.

The Economic Planning Agency, which released the figures, said it was the eighth

consecutive year-on-year fall in orders from manufacturing industry, excluding the shipbuilding and electric power industries.

The value of orders in November was ¥919.2bn, (£4.9bn), about 15 per cent up on the previous month largely because of a surge in orders from the coal and oil industries which distorted the figures.

Mr Yoshio Hayashi, the finance minister said he was

not yet considering plans to front load public works spending into the first half of the 1993 fiscal year as the Japanese parliament has not yet approved the budget for 1993.

However, it is widely expected that once the budget is approved the ministry will bring forward public spending plans, as it did last year, to help maintain the momentum of spending on public works.

## Kenya wants refugees out

The Kenyan government said yesterday it had asked the United Nations to send home immediately all 500,000 refugees in the country, Reuters reports from Nairobi.

"The numbers of refugees in Kenya from Somalia, Ethiopia and Sudan have not only seriously compromised the security of this country but also overstretched the infrastructure and medical services," a government statement said.

Earlier in the day, the government freed its last four political prisoners in a goodwill gesture towards domestic and foreign critics after President Daniel arap Moi's disputed election victory last month.

Among those freed was Kenya's most prominent dissident, Koigi wa Wamwere, an outspoken critic of Moi who was arrested in October 1990 and faced the death penalty for charges of plotting to overthrow the president.

## Uzbek ban

The Supreme Court of the former Soviet republic of Uzbekistan yesterday shut down the chief opposition group for three months, accusing it of violating a ban on public demonstrations. Steve Levine reports from Tashkent.

## Sultans' rights

Malaysia's parliament yesterday approved constitutional amendments to strip the country's nine hereditary sultans of their immunity from the law, Reuters reports from Kuala Lumpur.

The vote was passed by 133 votes with 16 abstentions. No one opposed the bill, which was proposed by Prime Minister Mahathir Mohamad.

## Companies face Seoul tax inquiry

SOUTH Korean tax authorities said they were investigating the subsidiaries of four foreign companies on suspicion of submitting false tax bills, Reuters reports from Seoul. A National Tax Administration (NTA) official said the South Korean operations of Swedish packaging specialists Tetrapak, US computer component maker Applied Magnetics and US tobacco giant Philip Morris and R.J. Reynolds, a unit of R.J.R. Nabisco Holdings, were under investigation.

The official said the NTA suspected Hankook Tetrapak, Applied Magnetics Korea, R.J. Reynolds Korea and Philip Morris Korea of underpaying corporate taxes between calendar 1989 and 1991. He said AMK and Hankook Tetra were suspected of underpricing manufacturing costs in order to transfer sales revenues to their parent companies, while the cigarette companies are thought to have set excessive import prices.

## Hurd sees way to renew China talks

By Robert Mauthner, Diplomatic Editor

A WAY can be found to reopen stalled talks between Britain and China over disputed proposals by Mr Chris Patten, the Hong Kong governor, for democratic reforms in Hong Kong, Mr Douglas Hurd, the British foreign secretary, said yesterday.

Mr Hurd, who was speaking after a meeting in London between a delegation of conservative members of Hong Kong's Legislative Council (Legco), Mr John Major, the prime minister, and himself, did not give details of the conditions for a resumption of Sino-British discussions.

"The prime minister said that we entirely accepted that it was desirable to talk these things through with China. He said that we believed - without being specific about tactics - that a way for that can be found," Mr Hurd said.

But "it was a little too soon" for either side to decide

whether a meeting in Beijing between himself and Qian Qichen, the Chinese foreign minister, should take place as scheduled.

The UK foreign secretary left open the possibility that the Patten proposals might be amended when they are submitted to Legco at the end of next month. But he declined to comment on a suggestion by the conservative Legco members that Mr Patten should take the initiative in revising his proposals before they were debated in Legco, as a way of improving relations with China.

Mr Allen Lee, the leader of the so-called Hong Kong Co-operative Resources Centre delegation, said it had expressed concern at the current impasse.

"We called on him [Mr Major] to amend the package as a gesture of good will," Mr Lee said. "We also wanted to impress on him the urgency of resuming the dialogue with China."

## Lee urges Singaporeans to spread their wings

The island state is urged to recapture the entrepreneurial spirit, writes Kieran Cooke

ACCORDING to Mr Lee Kuan Yew, Singapore is the most comfortable country in Asia. But Singapore's former prime minister is not boasting - he is worried. "That's our problem," says Mr Lee. "Too comfortable, no one wants to go abroad... we have got to shake Singaporeans up, make them adventurous, or we will be losers." Facing outgrown its small domestic base Singapore has no alternative but to invest more overseas, says Mr Lee.

When Mr Lee, now a senior minister, talks, Singaporeans listen. Singaporeans are busy discovering a world outside their island republic. A day hardly goes by without an announcement of another overseas investment project.

"China fever" has gripped boardrooms. Mr Zhu Zhenyuan of the Chinese embassy in Singapore says Singapore's investments in China in the first six months of 1992 totalled \$494m (£325m) against a total of \$896m for the entire 1979-91 period. "I believe Singapore's total investment commitment in 1992 will exceed the total commitment of the past 13 years," says Mr Zhu.

Singapore's businessmen are busy in Vietnam. The island state is Vietnam's leading trading partner with total two-way trade of more than \$530m in the first six months of 1992.

Both Vietnam and China are tapping Singapore's expertise in infrastructure development. Several million Singapore dollars have been invested in hotel, shipyard and telecom-



Lee Kuan Yew, former prime minister: "We have got to shake Singaporeans up, make them adventurous, or we will be losers"

munications projects in Vietnam. Singapore's large state companies, which still have a big influence on the domestic economy, are linking up with the private sector as part of a "Singapore Inc" approach to winning China projects.

The Shanghai authorities are discussing a \$4430m (£168m) airport project and the formation of a special economic zone with the Singaporeans.

But it is Fujian province, further to the south, that is attracting most interest from Singapore. Fujian is the home of the Hokkien Chinese dialect group, the dominant group in Singapore.

Mr Oei Hong Leong, a Singapore businessman with strong links to the Chinese community in Indonesia, has taken control of more than 60 former state-owned enterprises in Fujian. Late last year two of

Singapore's biggest state companies, Singapore Technologies and Jurong Environmental Engineering, entered into a partnership with Mr Liem Sioe Long, the Chinese-Indonesian tycoon, to develop a 5,000 hectare industrial park in Fujian. The estimated cost of the first phase of the project is \$830m.

The same Singapore-Liem partnership has already successfully developed an industrial park on Batam, an Indonesian island about 20km south of Singapore.

To encourage greater investment overseas, the government is providing low interest loans for various projects. Singapore's Trade Development Board has promised to help businessmen identify overseas investment opportunities. Singaporean schools are being set up abroad to encourage families to go overseas.

This more outward looking, aggressive approach to business is slowly being adopted by Singapore's cash rich banks. Traditionally viewed as conservative stay-at-home institutions, Singapore's four main banks - Overseas-Chinese, DBS, United Overseas Bank and Overseas Union Bank - are now big lenders in the region and are pushing for more international loan syndication business.

Singapore's banks have now surpassed Hong Kong as Thailand's main lender. While Hong Kong still has the lion's share of China loan business, Singapore banks are starting to edge into that market. Total offshore borrowings arranged by Singapore banks rose by 30 per cent in the first half of 1992 to more than \$4bn.

Singapore's 2.8m people are sitting on a mountain of savings. Savings now stand at 47 per cent of GDP. The country's foreign exchange reserves are officially reported to be nearly \$40bn but are generally believed to be much higher.

While investments have been made in manufacturing enterprises in Malaysia and to a lesser extent in Indonesia, the main part of Singapore's reserves have in the past been invested in stocks, shares, bonds and real estate - the latter principally in Australia. Other investments - by state companies in technology ventures in Silicon Valley - have not been so successful.

According to Mr Lee the thrust of Singapore investment policy must change.

Singapore must become more like South Korea, Taiwan and Hong Kong which have internationalised and made far flung investments in manufac-

turing and other projects. But Singapore has a lot of catching up to do. Hong Kong entrepreneurs have been investing heavily in China for years. The Taiwanese, despite restrictions on doing business with China, have been quietly investing millions of dollars. The South Koreans are working on projects all over the world, some under very tough conditions.

Investors in Batam, almost within sight of Singapore, say it is very difficult to coax Singapore managers to the island. "Even when we get them here, they want to rush back at the slightest opportunity," says an electronics plant manager.

Mr Lee says Singaporeans have no choice but to become more outward looking - more willing to take risks, not so afraid of failure.

The irony, say many Singaporeans, is that Mr Lee himself is largely to blame for fostering attitudes he now criticises. Mr Lee's critics argue that by building up an over-regulated, carefully controlled society, with an economy dominated by state companies, the entrepreneur has been squeezed out of the Singaporean.

"For years he [Lee] told us how wonderful Singapore was and how dangerous and terrible everywhere else was in comparison," says a Singapore trader. "He bred a sort of xenophobia. He can't expect people who have grown up with those ideas to suddenly be packing their bags and wandering off to the outposts of China or Mongolia."

## Thailand plans tax incentives to attract investors

By Victor Mallet in Bangkok

THAILAND, facing a sharp fall in inward foreign investment, yesterday announced plans to attract new investors and ease congestion in Bangkok by refining tax incentives and putting more emphasis on development in the provinces.

Approaches by foreign investors to the Board of Investment (BoI) fell for the third year in a row in 1992, with the value of foreign capital registered in new applications dropping to Bt12bn (£304m) from nearly Bt25bn in 1991. The total value of proposed investments in domestic and foreign applications fell by a quarter to Bt213bn.

Although actual investment in 1992 remained high - reflecting earlier applications - Thai officials are anxious to ensure a steady inflow of foreign money to finance the next stage of the country's industrial development.

Mr Stapanon Kavitanon, BoI secretary general, told a meeting of the European chambers of commerce in Bangkok yesterday that the decline in foreign direct investment was due to a combination of "political instability in Thailand, the opening-up of new cheap labour sites in the region, the well-known infrastructure and manpower constraints of our nation, and the recession in world markets".

BoI officials are proposing a

number of changes to Thailand's incentive scheme for investors, including benefits for companies which move factories away from Bangkok and increased incentives for investments in the provinces furthest from the capital.

The plan, according to Mr Stapanon, is to put the emphasis on location rather than export promotion when it comes to granting BoI privileges to potential investors.

The BoI board, chaired by Mr Chuan Leekpai, the prime minister, who has pledged to support regional development, will consider the proposals later this month.

Despite the downturn in applications, Mr Stapanon said he was comforted by the knowledge that investment would be sustained by a series of large infrastructure projects and by the increasing number of new projects in areas that would deepen Thailand's industrial base.

Taiwanese investment in Thailand has fallen sharply, as it has in Malaysia, but this reflects the fact that Taiwanese businesses are locating "screw-driver" assembly operations and textile factories in countries with cheaper labour costs, such as Vietnam.

Meanwhile, Japanese and European companies are using Thailand for investments in more sophisticated sectors such as chemicals and automotive components.

مكتبة الشرح



## Manufacturers increase pressure on government's strategy to keep inflation below 4% Devaluation prompts rise in prices

By Tony Jackson and Ralph Atkins

UK manufacturers are pushing up prices in the wake of sterling's devaluation, putting pressure on the government's anti-inflation strategy.

Downing Street said yesterday it was confident the government's target for inflation of between 1 per cent and 4 per cent would be met, in spite of the price rises. However, one senior minister said: "Companies seem to be throwing away their advantage, just when they should be strongly placed for recovery."

Recent price rises include:

- More than 7 per cent on electrical goods from Siemens UK.

- Some 8 per cent on float glass from Pilkington.
- Up to 13 per cent on steel from British Steel.
- Up to 7.5 per cent on Ford cars; 4.9 per cent on Volkswagen models.
- Up to 12.5 per cent on personal computers.

Mr John Major yesterday reiterated to MPs the importance he attaches to reducing inflation, "so we can create lasting jobs for the future". Downing Street also said it expected price rises to be offset by price falls elsewhere.

Manufacturers in hard-pressed industries such as building materials and chemicals said they expected no price increases until demand

picked up. RMC, the cement maker, said: "First we have to stop them falling."

Importers of finished goods from the continent, however, pointed out that devaluation meant cost increases in sterling terms of 15 per cent. Siemens said "this is a tremendous problem".

The government had hoped that manufacturers would respond to devaluation by holding their prices and pushing up market share against imports, thus helping the balance of payments. But Pilkington and British Steel have been losing money.

It is not yet clear that all the mooted price rises will take effect. Pilkington and British

Steel have tried to raise prices without success in the past few years. In glass, steel and personal computers prices have actually fallen sharply.

In cars, it is not yet clear whether the latest price rises will be whittled away by discounts. The latest price rises from Ford and Volkswagen come hard on the heels of rises last year, in October and November respectively. Prices were also raised late last year by Rover and Vauxhall.

In personal computers, prices have risen by up to 12.5 per cent since devaluation. The increases have come in both UK-produced PCs and imports. For the previous two years the industry had been locked in a

price war which had seen prices falling by up to 40 per cent a year.

Industry analysts yesterday doubted whether the rises would stick, given over-capacity in the glass industry and the low level of construction orders. One said: "They won't get the whole increase, for sure. European prices are not standing still."

Some analysts said industrial price increases could leave some companies exposed if the French franc was devalued. In addition, the deepening recession in continental Europe continues to push prices down in some products, offsetting the effects of devaluation for companies exporting to the UK.

## UK drug seizures valued at £546m

By Andrew Jack

HM CUSTOMS & Excise seized a record £546m worth of illegal drugs including more than 2 tonnes of cocaine last year, according to figures released yesterday.

There were 2,568 people arrested and 47 drug smuggling gangs broken up during the year, the 1992 annual drug seizures statistics showed.

Cocaine hauls totalling £339m - more than twice the amount in the previous year - were confiscated. There was heroin seizures of £48m by street value and cannabis worth £134m.

The figures follow the announcement two weeks ago of a new anti-drug co-operation agreement between Customs and the Cruising Association, the independent group representing yachting enthusiasts.

The guidelines call for yacht users to keep constant vigilance and report any suspicious happenings to the authorities quickly.

They should in particular notify officials of suspicious vessels or crews, small boats approaching larger vessels or suspect packages on beaches, ports or at sea.

In return, Customs pledges

to treat any information in strict confidence and to help educate in ways to avoid being exploited by drug traffickers.

Sir John Cope, the minister responsible for Customs & Excise, said the drug seizure figures showed that western Europe had been targeted by the drugs cartels.

"The results achieved demonstrate that our law enforcement efforts through import controls, joint Customs-police operations and shared international intelligence are a match for the drug smugglers," he said.

"The changing pattern of seizures clearly shows we cannot afford to be complacent."

The seizure values were up from a total of £271m in 1991, but included declines in the value of synthetic drugs confiscated by a quarter to £35m, and of nearly two-thirds for opium to £37,000.

Property worth £2.2m and £2.27m is presently under restraint through 77 separate orders under the 1986 Drug Trafficking Offences Act.

In the past year 64 Confiscation Orders were imposed by the courts totalling £5.1m and £1.17m, and four people were charged with money laundering offences.

## Britain in brief



### Government climbs down on rail plans

The government has announced that it had climbed down over one of the key aspects of its rail privatisation plans: the requirement that their should be open competition on the railway tracks between rival train operators.

Instead it has decided that the private sector companies will be granted exclusive franchises for all passenger services in many areas, just as commercial television companies are granted exclusive franchises for the television areas.

Mr John MacGregor, transport secretary, has reluctantly had to concede the need for exclusive franchises in the face of the private sector's reluctance to become involved in any form of privatisation that would involve open competition on the tracks.

### Private finance urged for NHS

Managers in Britain's state-funded National Health Service are being told by the department of health that they must be "innovative and receptive" to new ideas for increasing the use of private sector finance.

Mr Gordon Greenfield, NHS director of finance at the department of health, is calling on hospitals in Britain to consider more joint ventures with the private sector, leasing arrangements and market testing the possibilities of contracting-out both patient and support services.

The letter reflects the view of Mrs Virginia Bottomley, health secretary, that the government can promote private sector investment without reviving allegations that it wants to privatise the service.

### Trust savings show first fall

Investment Trust savings schemes showed their first annual fall since records began in 1984. The total amount invested through savings schemes for 1992 was £115.5m, down from £119.5m for 1991. The Association of Investment Trust Companies said that poor stock market performance and lack of investor confidence due to the weak economy had been the main factors.

### Church makes TV commercial

The Church of England has made history with the first religious commercial on British television. The diocese of Lichfield in central England is spending £7,000 on 10 commercial slots over the next fortnight, with two different adverts.

### Job advertising criticised

Cases of bogus job offers are highlighted in the latest Advertising Standards Authority monthly report.

A complaint by the department of trade and industry was upheld against Worldwide Recruitment Services, which ran an advertisement in The Sun newspaper under the headline "construction works exceeding £10bn - all construction trades required".

The advertisement suggested that building work was available in Hong Kong, and that "free information" would be sent to applicants. The DTT maintained that as an abundance of local workers was present in Hong Kong and China, such jobs would probably not be available to UK residents.

### End of an era at Lloyd's

Visitors to the chairman's office at Lloyd's of London will no longer be greeted and served by "waiters" in Victorian navy blue and crimson tail coats.

Mr "Tug" Wilson and Mr Malcolm Archard, will be the last "chairman's waiters" in Lloyd's 305-year history.

Their redeployment this week to other jobs signals the adoption of a more business-like approach at the Lloyd's Corporation and the end of what one insider called the "gold plated era", as the market adapts to tightened circumstances after three years of heavy losses.

## Opposition drops calls for higher taxation

By Philip Stephens, Political Editor

BRITAIN'S opposition Labour party yesterday dropped its controversial election plans for higher income tax and national insurance contributions as it called on the government put a new employment and investment strategy at the heart of the March 16 Budget.

In a shift signalling that the party has learnt the lesson of four consecutive defeats, Mr John Smith, Labour leader, said that an emergency programme to tackle unemployment and boost investment could be financed largely by a windfall tax on privatised utilities. Additional revenue could be raised by deferring the abolition of stamp duty on share transactions and closing a number of tax loopholes.

Labour's Budget package marks the first stage in a move by Mr Gordon Brown, the party's chief finance spokesman, to shift the economic debate away from his party's tax and spending plans to its long-term strategy of improving industrial competitiveness.

In a series of speeches over coming weeks he is expected to identify education, training, and investment in infrastructure and industry as the core priorities of a future Labour government.

Mr Brown will argue that debates over the precise level of the borrowing requirement or the exchange rate distract attention from the central weakness of the economy: a failure to invest in the nation's productive capacity and the skills of its workforce.

He is expected to signal that the party can no longer preoccupy itself with arcane philosophical debates over the respective roles of capital and labour and line between the public and private sectors.

Labour's more immediate priority is to contrast its call for a firm offer of work or training for all those out of work for a year or more with the government's intention to weaken its guarantees for 1m unemployed 16 to 24 year olds.

Mr Brown said the guiding principle behind government-funded employment and training schemes should be that they contribute to economic efficiency.

He called for a series of other Budget initiatives ranging from the offer of financial help to small firms and expanded fiscal incentives for industrial investment to a self-financing environmental initiative to encourage energy conservation. He demanded also that the government allow local authorities to release more of their existing capital receipts to help restore confidence in the construction industry.



Coal miners at one of Britain's newest pits celebrated yesterday after breaking three European mining records. Workers at Wistow Mine in the Selby coalfield, central England, achieved a record weekly output tonnage of 173,156 tonnes and broke a separate European record after extracting 100,000 tonnes from one coalface in a week. It became the first British mine to produce 2m tonnes since the start of the financial year - the fastest in Europe. Wistow is not threatened by the government's pit closure plans

## Tax boost fails to curb state deficit

By Peter Marsh, Economics Staff

A BOOST to tax payments caused by a change in the rules for collecting VAT, Britain's retail tax, failed to prevent a sharp rise in the public sector borrowing requirement (PSBR) for December.

Largely due to another big increase in public spending, last month's PSBR - the level of the government's debt - climbed to £3.43bn, compared with a £1.33bn deficit in December 1991, the Treasury said yesterday.

The deficit for the first nine months of 1992-93 was £26.7bn, compared with £10.3bn in the similar period for the previous year.

The Treasury is forecasting a PSBR for this year of £37bn, for one of £13.5bn in 1991-92. Much of the change is due to weak economic activity constraining tax receipts, while higher unemployment has pushed up social security spending.

The spiralling deficit is casting a cloud over the March 16 Budget, in which the Conservative government may be forced to increase taxes to reduce state borrowing.

Government receipts last month came to £5.49bn, compared with £5.89bn in the corresponding month a year

before. The relatively high figure was mainly due to additional revenues from Value Added Tax (VAT), caused by many large companies making these payments on a monthly basis rather than every quarter.

The Treasury said that due to the change, receipts in December were between £750m and £1bn higher than would have been expected.

Receipts this month are also likely to be boosted, while the figure for February will be correspondingly reduced.

In December, spending by central government departments came to £19.91bn, compared to £18.2bn in December 1991.

The spending figures are calculated after allowing for privatisation proceeds.

These came to £1.3bn in December, resulting from the sale of government holdings in BT and electricity generators' debt.

Excluding privatisation payments, the PSBR for the first nine months of the financial year was £26.7bn, in contrast to the £17.2bn deficit at the same stage in 1991-92.

During the first nine months of this year, government revenues were £147.3bn, little changed on the £146.9bn collected in the corresponding period in the previous year.

## Scotch makers urge reform of excise duties

By Philip Rawstone

THE Scotch whisky industry, faced with a fall in UK sales of 1m cases a year and a spate of job losses, is pressing for a radical reform of liquor taxation, writes Philip Rawstone.

Heavy excise duties have been a significant factor in the accelerating decline of whisky's share of the drinks market, according to the Scotch Whisky Association in a pre-Budget submission to Mr Norman Lamont, chancellor.

Since 1979, whisky sales have fallen 30 per cent while wine consumption has increased 60 per cent.

A single whisky and a glass of wine contain the same amount of alcohol - but the whisky carries almost twice the duty - 23p compared with 12p.

The full effect of changes would gradually become apparent, Mr Heseltine told the Commons select committee on agriculture. A full-scale review later this year, as originally planned, would further prolong uncertainty in the industry.

Sir Bryan Carsberg, director

## Government abandons review of brewing industry changes

By Philip Rawstone

THE government has abandoned plans for a full review of the effects of "beer orders" - changes to the brewing industry brought about by Monopolies and Mergers Commission inquiry in 1989.

Mr Michael Heseltine, trade and industry secretary, announced yesterday that it was "highly desirable that both brewers and pub tenants should now have a period of stability".

The full effect of changes would gradually become apparent, Mr Heseltine told the Commons select committee on agriculture. A full-scale review later this year, as originally planned, would further prolong uncertainty in the industry.

Sir Bryan Carsberg, director

general of fair trading, would continue to monitor the market and would investigate any evidence of anti-competitive behaviour, he said.

But a full review would be left to the European Commission which is due to re-examine the effects of exclusive "tied" beer supplies to pubs and clubs in 1997.

National brewers, who have had to sell or lease nearly 12,000 pubs to comply with the beer orders, last night welcomed the decision. "This is very good news," said Allied-Lyons.

However, Mr Anthony Fuller, chairman of Fuller Smith & Turner, the London brewer, said: "I do not think that it is right to leave the review to Brussels alone."

Evidence by the department

of trade and industry to the select committee said that the MMC believed the beer market had become more competitive as a result of the beer orders.

The freeing of 19,000 pubs - a third of the national brewers' estates - had significantly reduced the proportion sold through tied outlets. The free pub trade accounted for 49 per cent of beer sales compared with 37 per cent in 1989.

Regional brewers had acquired up to 2,000 more pubs and about 100 new retail operators had entered the market - acting as a counterweight to increased concentration in brewing.

The wholesale price of beer had fallen in real terms and there were signs that retail prices were responding.

## Japanese plants lift demand for car parts

By John Griffiths

JAPANESE car plants in the UK will fuel sustained growth in the motor components sector, lifting annual demand for parts to £5.7bn by 1996 from £5bn last year, according to a study of the components industry's prospects.

The study, produced by the consultancy Marketing Strategies for Industry (UK), estimates a 26 per cent increase in demand for components from vehicle makers over the period, considerably outpacing the replacement parts market.

It is based on the expectation that UK car production will rise strongly, from 1.35m in 1992 to 1.4m in the current year and 1.5m in 1994.

Replacement parts, required

to keep the UK population of 23m cars on the road, represents a much larger market than that for original equipment, but the sector's growth is slowed by the greater reliability and longevity demanded for components.

The replacement market is expected to grow much more slowly, from an estimated £3.7m last year to £3.99m in

1994 - a rise of just under 8 per cent.

Fierce competition exists across every components sector, although mainly between a relative handful of large rivals. Goodyear and Michelin were in close rivalry for tyre market leadership, with Pirelli lying third. The "big three" were found to account for 60 per cent of the total tyre market.

## Heseltine's coal rescue plans may fall foul of EC rules

Mr Michael Heseltine, the UK trade secretary, who is trying to find ways of saving the UK coal industry, may have to accept tough EC deadlines for phasing out any subsidies which he includes in his rescue plan.

EC officials are studying how a UK coal subsidy might fit in with EC policies limiting state aid to industry, following Mr Heseltine's visit to Brussels for consultations last week.

The difficulty is that the EC position is far from clear, with the Commission's energy and competition directorates on conflicting courses over how to sort out the EC's heavily subsidised energy market.

The meetings which Mr Heseltine held with Mr Abel Matutes, the new energy commissioner, and Mr Karel Van Miert, the new competition commissioner, were a prelude to high-level political negotiations on coal subsidies which will begin after he tables his rescue plans next month.

## Andrew Hill in Brussels and David Lascelles in London look at how UK subsidies might fit in with policies limiting state aid to industry

Such negotiations could provide a fascinating spectacle. For the last four years, Sir Leon Brittan, the determinedly anti-subsidy commissioner who preceded Mr Van Miert, has sparred with socialist-governed member-states such as France over the sensitive issue of state aid.

It will be interesting to see how a determinedly anti-subsidy government fares against a socialist commissioner in the same debate.

Under new draft rules for state subsidies to the EC coal industry - which will come into force from 1994 if approved by member states - inefficient mines would have to bring their production costs in line with the Community average, or lose their right to aid.

Energy officials believe that under these rules, Mr Heseltine

should be able to subsidise Britain's mines, which are the most efficient in the Community.

It is the high-cost, heavily subsidised pits in Germany and Spain which would have to work hard to improve efficiency, and retain government support.

"If you're a good pupil, and you do a good essay, you're allowed to go out and play, while the others continue to study," explains one energy official.

But Mr Heseltine's plan to support the coal industry might fall foul of guidelines observed by the Commission's competition authorities.

Under these non-binding criteria, introduced at the time of the British electricity privatisation in 1990, Brussels allows member-states to protect up to 20 per cent of their indigenous energy sources through

subsidies or supply contracts signed with electricity generators. The aim is to underpin security of supply, but without distorting the growing market for cross-border sales of electricity.

It is a unique part of Commission state aid policy in that the size of subsidy member-states can grant to these protected industries is unrestricted. But the policy hamstringing Mr Heseltine because the UK is already up against the 20 per cent limit.

The main recipient, according to the Department of Trade and Industry, is state-owned Nuclear Electric which accounts for 13 per cent of electricity generated, followed by Scottish Nuclear - four per cent - the Longannet coal mine in Scotland - three per cent - and a fractional amount for renewable

forms of power, such as wind and solar.

If the Commission enforced the guidelines strictly in the British case, it might be put in the strange position of hastening the demise of the EC's most efficient pits, ostensibly in the interests of protecting Community energy sources.

When British and Commission officials meet in the next fortnight to discuss the options available, they will look for ways of skirting round this dilemma.

The Commission, for example, may drop its insistence that renewable energy sources should be counted as part of Britain's allowance. If the Commission then percolated a consumer levy on electricity bills to support the coal industry, the size of Britain's energy subsidies will increase to nearly 30 per cent of

the market. In return, partly to save the 30 per cent aid principle, the Commission would expect Mr Heseltine to cut back the scope of aid to the nuclear industry, and to set strict time-limits on coal subsidies - perhaps abolishing them as early as the end of 1995.

But Mr Heseltine would find it hard to agree to these demands. There is little room to cut aid to the nuclear power industry because of the need to build up provisions to finance the decommissioning of old nuclear power stations.

And the 1995 deadline would impose a much tighter time limit than Mr Heseltine is believed to have in mind. Only a small number of additional mines would be able to achieve commercial viability in that short breathing space.

More time might also be needed to get British Coal into a condition where it could be privatised, which is still Mr Heseltine's aim.



## MANAGEMENT

Barbara Harrison explains how US companies are learning to deal with HIV positive employees

## Aids enters the office

Frank Deloio, a sales representative at Digital Equipment Corporation, the second largest US computer maker, knew for nine years that he was HIV positive before he revealed his condition to colleagues at work. "I was too scared," he says now, to disclose that he was infected with the virus that causes Aids. "I read about cases of people who would lose their jobs and [health] insurance. They would basically be left out in the cold. I didn't want that to happen to me."

Luckily for Deloio, Digital's management was one of the corporate pioneers in instituting an enlightened education and advisory programme on HIV and Aids. Begun in 1987, the programme includes seminars that explain the disease. Employees are told, for example, that they will not be infected by using the same tools, telephones, computer terminals or toilets.

By 1991, Deloio felt confident that the myths and fears about HIV and Aids had abated sufficiently among his colleagues to disclose his condition. His departmental managers responded by restructuring his job to take account of his need for medical treatment.

Paul Ross, Digital's manager of its HIV/Aids programme, believes that alleviating the fears of infected and uninfected alike is crucial to avoid workplace problems. "We made a conscious effort to manage our response to the epidemic instead of having it manage us."

Company officials concede, however, that some fears or intolerance are not diminished by education. But Digital's approach is as far-sighted and praiseworthy as it is uncommon. Over the past decade, most businesses have ignored the

epidemic. Or they have sought to rid themselves of employees they knew or suspected were infected - a practice made illegal in the US last year under the Americans with Disabilities Act.

But about 1m Americans are infected and Aids, which is the second biggest cause of death for men aged 25-44 and the sixth leading cause for women aged 25-44. And that age group comprises more than 50 per cent of the US workforce.

More than two-thirds of companies with between 2,500 and 5,000 employees and nearly one in 12 companies with fewer than 500 employees have had an employee with HIV or Aids.

In response, the US Centres for Disease Control launched a "Business Responds to Aids" programme last month. The programme, backed by companies such as Levi Strauss, Polaroid, Federated Allied, Coca Cola, and MGM/UA Communications, urges firms to join an education and prevention effort.

The CDC has prepared a manager's kit and a labour leader's kit to

provide step-by-step guidance on how to develop an HIV/Aids policy and an education programme. The kits contain advice on health insurance issues as well as counselling and educational resources.

It also features a section on the "do's and don'ts" under the ADA. For example:

- Companies cannot refuse to hire an applicant with HIV or Aids because their insurance costs may rise.
- Job applicants cannot be required to take an HIV test.
- Companies cannot dismiss employees with HIV or Aids if they are able to perform the "essential functions" of a job given "reasonable accommodation" to their disability.

The CDC's effort to help businesses educate their workforces, and in so doing help prevent the spread of the disease, may be laudable, but it is expected to be an uphill battle.

Lee Smith, former president of Levi Strauss's international operations and now chairman of the Washington-based National Leadership

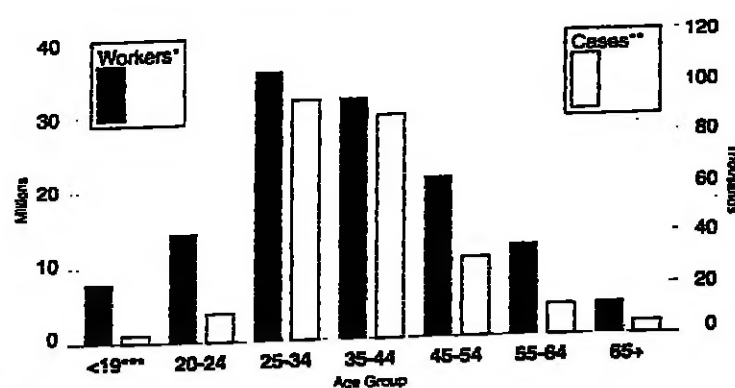
Coalition on Aids, an educational organisation focusing on business, recommends that, given staff turnover and transfers, Aids awareness programmes run continuously and be updated with new information.

But he warns that Aids education "is not an easy sell. There are terrible barriers around this disease," says Smith, who noted that one in 25 people in Levi Strauss's San Francisco workforce was HIV positive. He said managers, the majority of whom are heterosexual men and some of whom are homophobic, deny it's a problem and believe it won't affect them.

Smith says he first attempts to persuade managers to institute an Aids education and prevention programme on moral grounds. If that fails, he argues the case on the basis of costs, comparing the small amount required for a programme with the high cost of treatment.

For US companies, which face soaring health care costs, such arguments are compelling. Insurance premiums increase if an employee becomes infected with

Age distribution of US workforce and persons with Aids



\*Data through 1990  
\*Data through June 1992  
\*Includes only cases in 15-19 age category, excludes cases in ages 0-12  
Source: CDC



HIV, as is the case with any serious long-term illness.

At Digital, which is self-insured, Ross believes that the Aids programme has helped contain health care costs through early treatment

and through helping to stem the spread of the disease. With average costs for treatment from diagnosis to death running at about \$100,000, "if we've saved 10 from becoming ill, we've saved a \$1m," he said.

## Europe starts to face HIV issue

European-based companies have been slower than their US counterparts in establishing policies to deal with employees who are HIV positive or have Aids, write Paul Abrahams in London, David Buchan in Paris and Christopher Parkes in Frankfurt.

One of the main reasons is that the disease has spread more slowly in Europe than North America. In the UK, for example, 3,985 people have died of Aids since 1982.

"HIV and Aids is a new issue in Europe, and only a small number of employees have so far been involved," said Glenys Rowe, an independent consultant on HIV and Aids implications for business.

Companies that addressed the problem early have mostly been branches of US multinationals or UK-based groups with subsidiaries in Africa and Asia. Public services such as police, fire and ambulance brigades also have policies.

However, Rowe says that large and even small and medium-sized groups are now beginning to look at the issue. She says it is important for companies to prepare in advance. Some companies, for example, have been placed in the difficult position of taking disciplinary action against an employee for absenteeism and then it being revealed during a hearing that he or she is HIV positive.

About half of the companies that consider adopting a policy for HIV do not do so, but incorporate the issue into existing health policies. A special policy would lead to discrimination, they fear. An effective policy would prevent discrimination in recruitment and continued employment, and counter victimi-

sation by work colleagues. Rowe says a catalogue exists of terrible cases of victimisation. Organisations must prepare through education programmes to counter misconceptions about how the disease is spread.

One of the most encouraging signs, she believes, is the launch of the UK Corporate HIV & Aids Project. This has linked the leading Aids charities with companies such as IBM UK, Unilever, Body Shop, Kingfisher, Wellcome and Marks & Spencer. The project's aim is to produce a number of briefing sheets on a variety of policy issues when considering the impact of HIV and Aids on businesses.

In France, companies still focus on preventing the spread of Aids,

rather than organising for a future in which a sizeable proportion of the workforce may be HIV positive.

But even on prevention, a degree of corporate complacency exists which is surprising given that ministerial responsibility for the infection of haemophiliacs with Aids-contaminated blood has been a big political issue in recent months.

When the French Agency for the Fight against Aids recently surveyed more than 1,000 company personnel directors, they found that one in 10 firms had employees carrying the HIV virus. One in four companies had carried out prevention/information programmes.

But the 80 per cent of companies which had not so far introduced any specific programme said they

saw no reason to do so in the future. Yet two-thirds of those interviewed also said that for companies to relay information on Aids to their staff was appropriate.

Companies with a relatively large number of white-collar employees tended to be more active on Aids information, while those in the building sector were most passive, not to say hostile, on the issue.

In Germany, infection rates grow steadily, but Aids and the HIV virus remain issues of concern to sociologists and statisticians rather than managers - or employees.

In the year to last September, federal authorities recorded 1,050 new Aids cases, taking the total to 8,750 among the 53,500 people registered as infected with the HIV

virus. Exhaustive research in the years since 1986, when the government started a national "Give Aids no chance" advertising campaign, has uncovered dwindling concern among the population.

Evidence has tended to confirm popular convictions that the risks are minimal for heterosexuals who do not inject drugs, are not among the estimated 1.8m men who regularly visit a German brothel, and do not holiday in Thailand and other "sex-tourist" hot-spots.

According to the latest statistics, homosexual or bisexual men account for 65 per cent of new Aids diagnoses and drug addicts for 15 per cent. New diagnoses attributed to infection through heterosexual intercourse in the year to last September numbered fewer than 100.

That the proportion of cases confirmed among this group has more than tripled in the past five years has gone almost unremarked.

## GrandMet toughens options criteria

Nestled inside the 1993 Grand Metropolitan annual report circulated this week are details of tough new criteria for executive share options.

At the company's AGM next month, shareholders will be asked to approve a scheme which requires the GrandMet share price to have out-performed the FTSE-100 index for more than three years before any option can be exercised.

In a corporate governance statement in the annual report, Richard Giordano, GrandMet's deputy chairman and chairman of the appraisal and remuneration committee, says the scheme "provides a proper balance between motivating and rewarding management on the one hand and protecting shareholder interests on the other."

According to the AGM document, GrandMet's previous executive share option schemes, adopted in 1983, are now up for renewal. The company argues that the schemes "materially contributed" to its success and should continue.

Its two new schemes could trigger the issue of up to 205m shares over the 10-year life of the options, or 10 per cent of current equity.

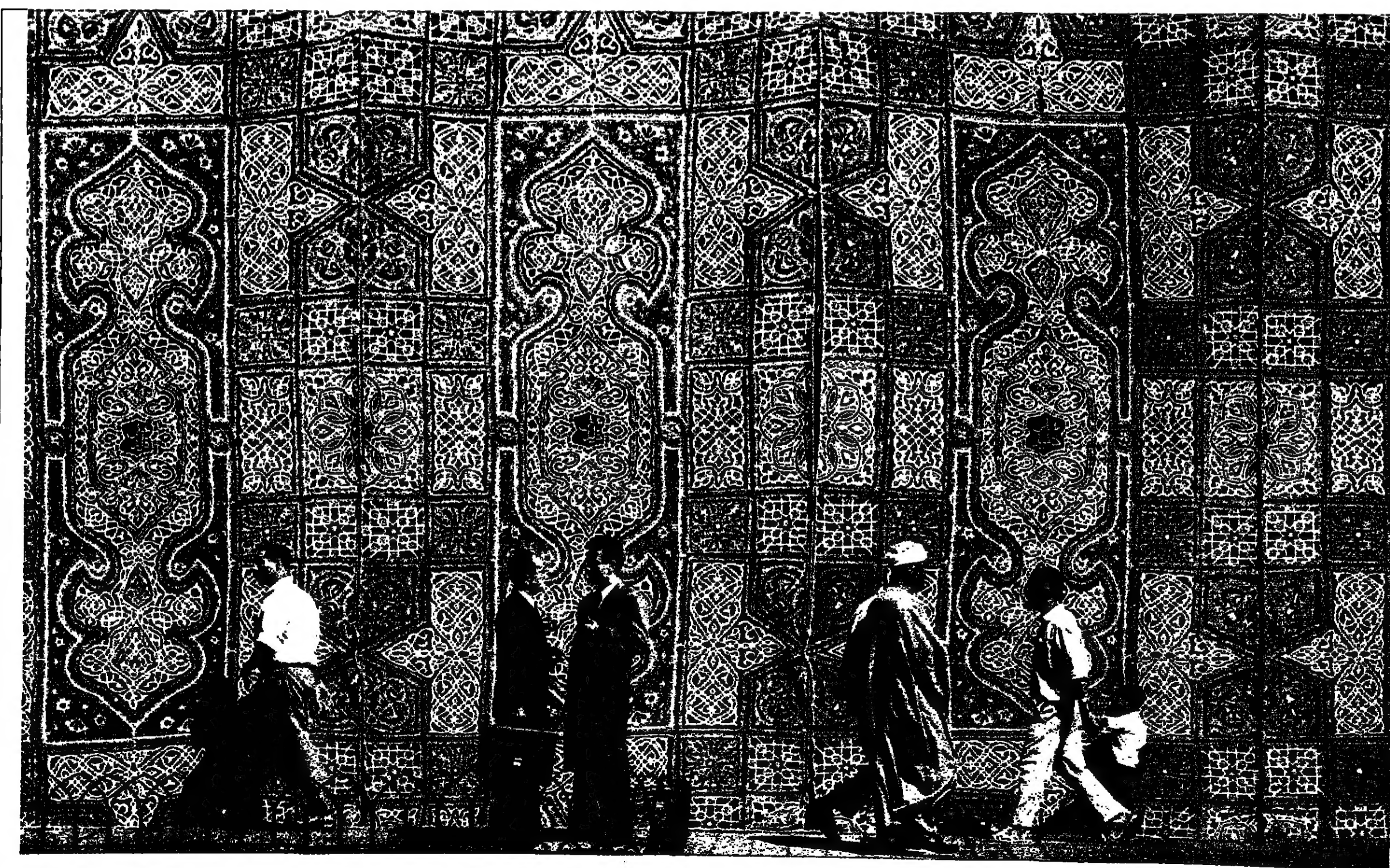
In the past, any increase in the share price over the three years allowed executives to exercise their options at the price at which the option was given to them. Under the new criteria, the option at the original price can only be exercised if GrandMet's share price not only beats the FTSE-100, but also is maintained above the index for at least six months over a period of three years - to remove the effect of any short-term fluctuations.

If this has not been achieved in the first five years after the options are granted, then the shares must beat the index over five years.

The scheme appears to echo the guidelines issued last September by the National Association of Pension Funds. Britain's largest shareholder group. It argued that there was concern over whether earnings per share - the usual key criterion for options - were a reliable indicator of corporate performance.

Angus Matheson, chairman of the NAPP's investment committee, yesterday welcomed the proposals.

Andrew Jack



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A guest arrives at a restaurant completely unaware of any dress code.

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One would think that at this point, the guest would be politely tossed out. But unfortunately, a more severe punishment is in store for him.

Much to his embarrassment, he is handed an atrocious tie which, even by the wildest stretch of the imagination, cannot be seen to match anything else he is wearing.

Of course, by this time, everyone around is watching, and it's far too late to retreat.

So after a quick concerted effort to regain lost aplomb, he knots his tie and proceeds to the dinner table.

At The Regent, London, we think it's time to change all this.

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Where the maitre d' will not have a stack of ties hidden behind the cash register.

And where the waiters will not be as stiff as the napkins.

The Dining Room, a classic restaurant, offers some of the best Italian and British cuisine in London.

While the Winter Garden, with its soaring glass atrium, makes a perfect meeting place.

Of course, if you'd prefer to sit in a bar, we have The Cellars, with a truly impressive collection of imported beer, wine and champagne.

The rooms at The Regent, London are, naturally, as surprising as the restaurants.

The light, understated and contemporary decor is in stark contrast to the old architecture of the building.

We wouldn't have it any other way.

Because while we've tried to keep all the charming aspects of the old days, we've made sure we haven't forgotten the practical needs of the modern business traveller.

And let's face it, it's much easier to get work done sitting at a desk in a neat, elegant, efficiently planned room, than while sitting under

the most elaborate curtains in Great Britain.

We must admit, however, that there is one thing about our rooms that's dreadfully old fashioned. The size.

With an average floor area of fifty square metres, our rooms show scant regard for the shortage of space in London these days.

As far as technology goes, quite obviously, we have kept pace. So if you'd like to toss away the old quill, we can send up a computer to your room.

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For those interested in keeping their bodies as active as their minds, we also have a health spa, gymnasium and swimming pool.

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**What happens if the guest is not dressed as well as the lobster?**





## BUSINESS AND THE ENVIRONMENT

Karen Zagor explains how to create a beautiful office, save money and improve the environment

## Audubon finds new nest

With its high ceilings, skylights, picture windows and striking central staircase, the foyer of the US National Audubon Society's new headquarters seems more fitting for an advertising agency than a non-profit environmental advocacy group.

Yet the 101-year-old terracotta building in downtown Manhattan, complete with gargoyles and Romanesque arched windows, was recently renovated at a cost of roughly \$14m (€9m) to prove that it is possible to improve the environment, create a beautiful office and save money. "Our main motivation was financial," says Tom Exton, director of corporate fundraising.

The society, which had been renting for decades, decided to buy its office to take advantage of Manhattan's property tax exemptions for non-profit organisations. It also benefited from New York's weak property market and low interest rates.

Tax and borrowing advantages, plus a successful \$14m fundraising campaign, are expected to save the society nearly \$1m a year. It also had a perfect opportunity to create a blueprint for an economical, yet environmentally sound, office.

The society first decided it would be cheaper to renovate a virtually derelict building than to build new offices from scratch. It paid \$10m for the building, an eight-story former department store turned sweat shop designed by George Post, the architect who designed the New York Stock Exchange. Audubon said the cost of building a new office would have been \$33m.

It teamed up with Croxton Collaborative, an architectural firm whose track record in designing healthy buildings included three floors of offices for the Natural Resources Defence Centre, another environmental lobby group.

Audubon and Croxton adopted a cradle-to-grave approach to evaluate each product that came into the

and bathrooms are made from recycled crushed glass but the society decided against using toilet-stall dividers with recycled content because the dividers could not be found on the market.

Another consideration was the impact of the building itself on the environment. It is estimated that buildings, with their inefficient lighting and antiquated air conditioning and heating systems, are responsible for 25 per cent of the ozone-depleting chlorofluorocarbons in the US, 22 per cent of the carbon dioxide and other greenhouse gases and 15 per cent of acid-rain causing sulphur oxides.

Audubon and Croxton set about creating a healthy work place, since illnesses related to poor ventilation and airborne pollutants (known as sick building syndrome) are estimated to cost the US economy \$60bn annually. Most buildings suck in fresh air from street level. Audubon brings in its air from the roof. Industry standards call for buildings to filter out 30 per cent of air particles. Audubon filters out 90 per cent. Air in the building turns over 6.3 times an hour, instead of once or twice as in most buildings. And most of the windows can be opened.

To cut electricity costs, rooms have sensors which switch off the lights after six minutes if there is no motion in a room. Daylight sensors read the amount of natural light entering the windows and dim or increase the electric lights accordingly. Lighting fixtures are suspended instead of recessed to prevent the loss of overhead light.

Croxton knows that these techniques translate into savings. Consolidated Edison, a local utilities company, monitored the NRDC offices for three years and found that power consumption for lighting had been cut to less than 25 per cent of the level deemed efficient.

"When we started doing this five years ago, there was a substantial penalty in terms of the cost of substances available and lighting supplies," says Kirsten Childs, Croxton's director of interior design. "There is still some penalty, but what we do in terms of energy consumption pays back in five years



The Audubon Society's 101-year-old terracotta building in downtown Manhattan

and after that there are savings in the region of 75 per cent."

Perhaps the most impressive aspect of the building is its floor-to-ceiling windows. To preserve the building's original window space without sacrificing energy efficiency, each window frame was fitted with a "thermal gasket" made from activated charcoal which prevents air from seeping through.

Each window contains a sheet of chemically-treated polymer plastic

sandwiched between two panes of thermal glazing. The sheet deflects the sun's ultra-violet radiation and helps keep the building cooler in summer. It also reflects back the infra-red radiation from the building's own heating, helping retain warmth in winter. Audubon says its windows have the same insulation value as a brick wall.

To heat and cool the building, Audubon says it chose natural gas because it is more energy efficient

and cleaner than oil. Unlike standard air conditioning systems, natural gas does not produce CFCs or sulphur dioxide and it reduces carbon dioxide emissions by 60 per cent. The society decided not to install solar panels because solar heating is not yet cost effective.

Audubon House expects to trim \$100,000 a year from its energy bill by using 88 per cent less electricity and 61 per cent less energy than a comparable building using conventional technology. "We tend to overlook the fact that an enormous amount of energy goes into the heating, cooling and lighting of a commercial building," says Berle. "This is a gold mine of energy just waiting to be saved. For example, you don't need as much air conditioning if you've improved the efficiency of the lights and the insulation."

For insulation, Audubon used a product called Air-Krete made from sea water and magnesium salts which, unlike some foam insulation products, does not emit CFCs and does not contain carcinogenic long fibres of fibreglass. According to the society, Air-Krete's insulation value is three times as efficient as city regulations require. It is not, however, as effective as other less environmentally sound products.

In addition to the recycled glass in its tiles, Audubon used dry-wall made of 25 per cent recycled gypsum and 100 per cent recycled paper. The counter tops in the bathroom and kitchen are made from recycled plastic bottles. The society estimates that the recycled products it used were only slightly more expensive than more conventional alternatives and it expects prices to fall as demand grows.

"Part of our intention in telling the world about Audubon House is to engender a demand for green building products," says Tom Exton. Wherever possible, building materials were chosen that reduced or eliminated toxins. The Glidden paint brand was used because it has no volatile organic compounds, such as benzene and formaldehyde which are poisonous.

Plywood was avoided because pressed wood products are glued together with solvents which emit formaldehyde. For the sub-flooring, Homasote, made from recycled newspaper, was used instead.

Audubon estimates its renovation costs were equivalent to those of a conventional building because it spent less on non-essential materials such as brass and marble.

The money-saving message of energy conservation is starting to filter through to more mainstream organisations. "This is not a fad," says Childs. "You might expect an Audubon Society or the NRDC to do this but we are working for Home Box Office and Veriphone and talking to other companies."

## Marriage broker proposes recycling

By Anne Counsell

One man's rubbish is another man's treasure, or in these days of waste recycling, another company's raw material. This is the philosophy behind Green Base Exchange, an information service on environmental issues and a business-to-business swap shop for materials which can be recovered and recycled.

Ingenious in its simplicity, the Green Base Exchange - based in the UK county of Essex - acts as a "marriage" broker between companies seeking items as diverse as double glazing frames and ballpoint pens and those wishing to dispose of the same.

Subscribers to the on-line exchange leave details of the material on offer, its volume, storage and collection arrangements, together with a contact name and telephone number. Other subscribers look through the industrial categories for materials they want and can either contact the company direct or leave a message.

The exchange works through an electronic bulletin board system and can be accessed by anyone with a personal computer and modem. Behind the screens is environmentalist David Cooper. A one-time adviser to the Prince of Wales' Youth Business Trust and development consultant for new businesses in the 1980s, Cooper soon became aware of an information gap on environmental issues and their impact on small business.

He noted that the wealth of information coming from the Department of Trade and Industry, the Department of the Environment and the European Commission often does not impinge on small businesses, which generally hold a negative view of environmental directives and legislation.

The difficulty was in translating the available information and conveying it in a meaningful, useful way. The way forward came in the form of an article on a Dutch Waste Exchange, printed in the *Financial Times* in March 1991.

Inspired by the Dutch experience in recovering and recycling waste material, Cooper was encouraged to develop his ideas - combining his interests

in technology and the environment. The exchange also offers a news service encompassing environmental events, legislation and details of green products and services. Green Base is easy to access and unlike some on-line systems does not involve lengthy and costly "distractions" - the subscriber can quickly and easily find the relevant section and information.

Everything is signposted and clearly labelled - the nine industrial waste classifications are those used by the EC and there is a "help" service and back-up. Updated twice weekly, the exchange's news system is just that - full of news on upcoming events, latest environmental developments and "how to" advice on implementing governmental and EC directives.

The software has recently been developed to incorporate listings from environmental yearbooks as well as information on joint ventures, energy, fuels and recycling groups.

The exchange has held a series of meetings with the Department of Trade and Industry and the Department of the Environment to discuss promoting the exchange to a wider audience.

According to Cooper, the departments have been willing to help on promotion and co-ordination.

As a result, contacts have been expanded to include the Warren Springs Research Laboratory and the British Museum, which both receive a surprisingly high number of callers requesting information on environmental issues. This is largely the result of a lack of policy co-ordination on environmental issues in many companies, small and large, a situation the DTI is anxious to rectify.

Subscription rates to the exchange start from £20 a year for a non-business single subscription, rising to £220 for trade and professional associations. Monthly rates are also available. There are no other charges for being on-line or accessing and downloading information from the exchange and the only extra cost is British Telecom's connection charges.

## TIMBER TRADE & FOREST MANAGEMENT

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This seminar will examine the challenges faced by the timber trade and industry in responding to environmental pressures and market demands for timber from 'sustainably managed forests'. Speakers include:

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## PEOPLE

### Maurice Warren to chair SWEB

Maurice Warren, who retires as chief executive of Dalgety next June at the age of 60, has begun to look around for two or three non-executive directorships; the first he has accepted is as deputy chairman and chairman-designate of South Western Electricity (SWEB). At the time of his privatisation, the regional electricity companies tended to have an executive who combined the role of chairman and chief executive with a managing director one rung below that. SWEB is now the third company to split the roles, and to appoint a part-time chairman from outside the group - conforming with current corporate fashion.

Hence, in the first of the changes, John Seed, formerly managing director, was made chief executive before Christ-



mas, while Bill Nicol remains chairman until the agm in August when Warren will take over. "We like the company anyway, but we like it a bit more now," was the comment of one analyst who reckoned that Nicol had not come across particularly well in the City. Nicol says SWEB, which

engaged a firm of headhunters to make the appointment, was looking for someone who came from the West Country - Warren hails from Somerset and definitely has the accent to prove it - as well as someone who had successfully led a major company through change. "We are all outstanding engineers but we need another perspective," says Nicol.

In his four years at the top of Dalgety, Warren is credited with masterminding a fundamental restructuring of the group, which he says meant he had to keep his head down, leaving no time for any non-executive directorships. Now he already has one or two other irons in the fire for his retirement, though he plans to spend two days a week with SWEB.

■ Stephen Robinson, who joined JOHN MENZIES recently as head of the retail division, has now been appointed to the main board.  
■ Martin Thomas has been promoted to group treasurer of BICC Cables.  
■ Fred Beaton, formerly md of Hydra-Tight, and John Crabtree, formerly deputy md of T&N Technology, have been promoted to new business director and technical controller, respectively, of the industrial products and

materials group of T&N.  
■ Jim Bell, chief executive of Bonar Inc, and Peter Bartlett, md of LOW & BONAR's specialist materials group, have been appointed to the main board.  
■ Rod Varley, formerly operations director with Amoco Fabrics (UK), has been appointed manufacturing director of WADIN INDUSTRIAL PRODUCTS.  
■ Michael Hewitt has been appointed vice-chairman of SHANKS & MCEWAN.

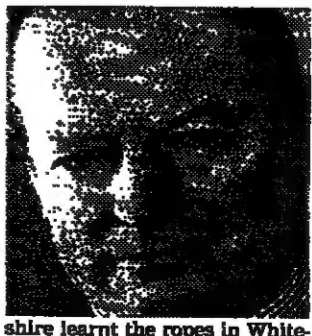
■ Pierre Marie Valentin, formerly chairman and chief executive of Technip, has been appointed president of Carrier European and Transcontinental Operations, part of UNITED TECHNOLOGIES.  
■ Gerald Bell, group operations director, has been appointed joint md with Martin Marcus of QUEENS MOAT HOUSES.  
■ Kevin Doyle, president and ceo of Wassall USA, has been appointed to the main board.

### Barkshire follows property interests

John Barkshire (right), the former chairman of Mercantile House who has hardly been heard of in the City since his 1980s-style financial services conglomerate was sold to the now collapsed British Commonwealth in 1987, is joining the board of TR Property Investment Trust (TRPIT) as a non-executive director.

Also on the board of Sun Life, Savills and the Household Mortgage Corporation, Barkshire, 58, says it is the "remarkable cross-section" of financial and property interests, the two areas to which he has largely devoted his career, that attracts him on to the board of the trust, which has total assets of just £105m.

But Barkshire is a catch for TRPIT; for one thing, "John's knowledge of how government departments are thinking is very valuable to us", according to director Peter Duffy. Bark-



shire learnt the ropes in Whitehall not least as chairman of the Barkshire committee, which has tried to interest the government in single property ownership trusts, but has so far fallen at the tax hurdle.

Three non-executive directors had retired in the last two and a half years from TRPIT, but Duffy says he had been in no hurry to replace them, the search being partly interrupted by TRPIT's hostile, and ulti-

mately successful, bid for New England Properties.

Barkshire, one of the prime movers behind the establishment of Life and hailed at the time of the Mercantile House sale as a great strategic thinker who would re-emerge to do yet greater things, now claims he knew then he did not want "even to try" to become chief executive or full-time chairman of another big company.

What he thinks the City really needs is a "strategic look at its future, reporting back straight to the governor of the Bank of England and the Chancellor. If London does not take the threat seriously," he goes on, "it is in real danger of finding business ebbing away to other financial centres." He says, not entirely convincingly, that he thinks he is not the right person to embark on such a project.

### Sweet talking for bankers

At a time when the reputation of British banks has sunk about as low as it can, the British Bankers' Association has hired the services of American Catherine Sweet for the newly created post of director, communications and external affairs.

The appointment is part of the response to a survey commissioned from Professor Ian Morrison of Loughborough University by the BBA which last June concluded that the banks were poor at lobbying, could no longer expect the Bank of England always to spring to their defence, and consequently needed a hard-hitting trade association to weigh in on their behalf.

Pauline Hedges, BBA's press and information manager, stays in charge of press relations - "a full-time job" she stresses - but 36-year-old Sweet will pull together external relations, for instance improving the association's lobbying performance. At Westminster, the BBA's record has been one of "winning many battles but losing several wars", Morrison commented at the time.

Sweet, who will no doubt find plenty of new material for the satirical poems on the City that she has been known to pen, has some schooling in crisis management having been deputy head of public affairs at the London Stock Exchange during Big Bang, where she also worked on the Financial Services Act. Sir Nicholas Goodison, chairman of TSB Group and president of the BBA since last year, says it is "happy coincidence rather than anything else" that Sweet has worked for him before when he was chairman of the Stock Exchange.

In 1988 Sweet moved to Charterhouse merchant bank followed by a stint at Bursom-Marsteller. She had turned freelance last November.

Credited with being bright, aggressive and not afraid to make enemies, Sweet completed a D Phil in international relations from Oxford, while she was at the Stock Exchange. Katrina Farrell-Glisse, previously director of corporate communications at Lafarge in North America, has joined the European Bank for Reconstruction and Development as chief public affairs officer. She replaces James Rosenstein who resigned last August.



Television/Colin Amery

## Let enthusiasts do their own thing

When the Virgin Mary appeared in Medjugorje, in what was Yugoslavia, in 1981, she was in tears. She said that she had come to pray for peace and reconciliation in the world, and one of her repeated messages to the innocent children who could see her was "please stop watching television." Of course, I learned this important fact from a programme about the Marian phenomenon which I watched... on television.

I always think of the Virgin Mary as being a bit like Mother Teresa, a practical woman, and her point here was that there are a lot of more useful things to be done in this world than watching television. I expect she was thinking of those statistics that regularly tell us that the average person spends some 36 hours a week watching and listening to the broadcasting media in the UK. I was pleased to be asked to stand in for a week for Chris Dunkley, but I was not quite prepared for the way television eats up time.

Television viewing is not something that you can easily plan: life seems to come first. For this column I decided to watch television in the way I normally do, often late at night, after a full day, searching for a little relaxing balm. In fact I ended the week sitting there as though I was determined single-handedly to break the national statistics. I even steeled myself to watch the smiling faces of the breakfast programmes. You have to hand it to the presenters of ITV's new "daybreak magazine" GMTV - they do try to be relentlessly cheerful as they snuggle together on a pink sofa in front of a blazing gas log fire and beam at you. In a week when everything seemed to be falling from the British monarchy to bombs on Iraq, these presenters were determined to persuade us that the world could still be bright and beautiful and as polished and perfect as a room in a glossy magazine. The do not try to tax us: each item is so short that you do not have to think about anything in depth. Saddam Hussein, John Major, Mr Clinton with his saxophone all become part of the merry show - they flicker and move on. The keep fit spot made me laugh with someone called Linda Lusardi lying on the floor with the Duchess of York's personal trainer - a very solemn American who told her to move her muscles "bio-mechanically correctly".

Despite this early morning punishment I survived to enjoy several programmes and to ignore a great many more. Television is often too slow and repetitive - too many rolling titles and theme tunes and too much endless newscast. An atmosphere of permanent inquisition pervades too many of the news programmes. That must be why I like Jeremy Paxman on BBC 2's *Newsnight* - at least you feel he does not

take any politician too seriously. I am waiting for him to stop smirking and burst out laughing one of these days. I just wish he'd buy some better ties.

He had his own show last Sunday called *Did you see?* on BBC 2, when he succinctly put all the nonsensical new sex education programmes into perspective by saying that they were about as exciting as "dancing the lambada with the Archbishop of Canterbury". There is a particularly awful one on BBC 1, *What shall we tell the children?* I began to think the Virgin Mary was right.

Children would have learned more about life and love from the best thing I watched in the entire week, which was the launch programme for the new *Screen Two* on BBC 2. This was a television drama written by Martin Sherman based on "The Summerhouse Trilogy" novels by Alice Thomas Ellis. I never quite understood the title *Clothes in the Wardrobe*, but it was the story of a young girl being pushed into an unsuitable marriage by her thoughtless mother and being rescued at the last minute in an outrageous and very funny way by a life enhancing visitor to the London suburb where the story is set - one Lily, played to the hilt by a magnificent Jeanne Moreau. The cast

included Joan Plowright as the elderly mother of the doomed bridegroom and Julie Walters as the bride's mother. It was these three stars playing disillusioned (especially with men) and life weary women in Croydon in the 1960s that made the film so memorable. Jeanne Moreau longing to be farouche in the suburbs must have brought real *joe de vivre* into every sitting room in the kingdom - she was magnificent and completely overshadowed everything else on television that week.

I could not bear a new programme called *The Sexual Imperative* on Channel 4, which spies on animals during their most private moments. This new sort of voyeurism, apparently masquerading as a serious science programme about mating habits, seemed to be to be completely bogus. Animals should be left alone to be animals.

It is not necessary for television to trivialise. I felt that it was at its most successful when it lets enthusiasts, even eccentric ones, convey their passions on the screen. There are two new series that both do this, *Dancing* and *The Name of the Room*, both on BBC 2. The first programmes look promising.

I expected to enjoy *The Name of the Room* more than I did, as it deals with

architectural matters and the history of the way we use the rooms in our houses. Dan Cruickshank introduced the first one about the bedroom and discussed in detail the changing history of our ideas of privacy. He was good, as was one of the participants, the excellent, re-discovered Professor Lawrence Stone, who tried nobly to explore "concepts of separation." The enemy of this series, and I felt the same in the second episode when Gillian Darley struggled to explain the long history of the kitchen, is the director David Turnbull who cannot resist tricky angles, predictable music, old film clips and old advertisements that overwhelm any hope of a clear exposition of an historical thesis. Documentary television programmes often do this. Why do directors not realise that the simpler the programme the more effective it is? From limited experience, I know that making a programme is often a battle with a director who knows little about a subject and does not realise the limitations of the camera. Tricks on television become tiresome. Clarity lasts, and helps documentaries to spread enlightenment - which is surely their point.

*Dancing* managed to use the speedy possibilities of the camera to bring out both the humanity and skill of the dancing participants from all over the world. It was moving to see the late Sir Kenneth MacMillan with the newer young dancers of the Royal Ballet; you felt that although he had died much too suddenly and much too young, he had passed on the flame. The lovely Indian dancer, Malavika Sarukkai, who danced with her eyes as well as her body, explained the origins of Indian classical dancing in a way that made it all so sound completely simple and logical while being completely different from the Western tradition. There was a memorable scene of an Indian wedding procession dancing happily along the Edwardian back streets of Birmingham; any incongruity was banished by the relaxed joy of the participants. This new series promises to be both thoughtful and vibrant.

Programmes like *Dancing* are an antidote to the very high level of gloom, gore and ghastliness that makes up so much of television's weekly output. I was depressed more than a little by the appetite for tragedy of the programme makers as well as the doom laden air of every newscast. Take the terrifying *Casualty* series on BBC 1. It makes life at a National Health Hospital look more fearful and daily closer to death than any of the Jacobean revenge tragedies.

The prevailing tendency to portray grief and misery in large doses as part of the daily diet was almost too much for this soft hearted novice TV reviewer. I felt, at the end of the week, that I was at one with Jeanne Moreau's memorable view: "Life is too bloody awful without being unhappy."



Ennio Marchetto as the Mona Lisa, singing 'She's Got It'

## Theatre Ennio Marchetto

Audiences love clowns, and the Lyric Hammersmith audience loves Ennio Marchetto - with reason. He jokes, he juggles, he lampoons, and his show's second half is something quite original: a long string of impersonations achieved not with full costumes but with 2-D paper cartoon cut-outs that enable rapid changes.

Marchetto himself is a thick-set barrel-chested Italian; and in the first half that is what he plays, straight. He is hunch and fun and a bit bizarre. In his first sketch, he is a flamenco guitarist while also juggling pingpong balls in and out of his mouth. Next, he juggles fruit - but with audience participation. He throws oranges at audience members, so accurately that he is on aim even to a man in the upper gallery. He considers throwing eggs at us too, but bulks to a climax by juggling three oranges, a melon and the egg, spectacularly breaking it dead on cue. Finally, he juggles flaming torches; here the best joke is that an already half-petrified audience half-expects him to

hurl some flaming torches out into the house too.

Part Two operates on the same non-with-this-develop and what-will-happen-next principles. Marchetto has the audience agog to know what point he is going to make with each character cut-out, and which character will come next. I like it best when he is deliberately incongruous - for example, as the Mona Lisa, in her framed portrait and awfully bored, singing "She's Got It."

He is dull as the Queen - he doesn't know how to project that deadpan downliness - but, with a couple of quick costume fixes before our eyes, he becomes another Queen: Freddie Mercury.

The success of Part Two depends almost entirely, however, on two kinds of cleverness: the way he can quickly

adjust one character to become another and make a point (Queen-into-Queen, James-Bond-into-Shirley-Bassey, the-Supremes-into-Diana-Ross-into-Michael-Jackson), and the cartoon effectiveness of his cut-out costumes. Sometimes all there is left to watch is Marchetto the mime, and this is harder to bear. He shows such a penchant for drag that you no longer know who he is.

The few Part Two personae which are not female tend to be flamboyant - Jackson, Mercury, Presley, Pavarotti. And his women are all performed according to the eye-rolling, vermilion-lipped school of female impersonation. (Thank God for his Piaf - very, very, short, stumpy-legged, and getting shorter all the time). For his encore, he does Carmen - miming Calas's account of the Habanera but stuck in a groove on the high note; by which time he's gone way over the top. Here, and too often when in drag, Marchetto's not clowning but drowning.

Alastair Macaulay



'The Clothes in the Wardrobe': best programme of the week

## The director who is always in the firing line

'You're never safe in a movie. That's its great power' Brian DePalma tells Nigel Andrews

This man has faced more cultural firing squads than any other living Western film-maker. Back in the 1970s Brian DePalma was stood against a wall for using excessive violence in films like *Carrie* and *The Fury*. In the 1980s he was fired on by feminists for abusing/mutilating women (*Dressed to Kill*, *Body Double*). And throughout his career he has been accused of plagiarising directors from Hitchcock (*Obsession*) to Eisenstein (*The Untouchables*).

Even when DePalma reached the seeming haven of a big-budget film of a bestselling modern classic, *The Bonfire of the Vanities*, things went wrong. Former fans turned sudden foes, aghast to see their favourite kinetic thriller director, the man who brought the avant-garde to Hollywood, floundering through a mainstream movie misadventure. DePalma retired in dismay.

But here he is again, unbowed and not visibly bloody. His new thriller, *Raising Cain*, is the DePalma mixture of old-world means no one else in the world could have made. The camera performs *tropes* of horror: dream sequences are seamlessly sewn into waking ones; and DePalma himself wrote the tale of a child psychologist (John Lithgow) trying to induce as well as study formative traumas.

"I had the idea from a psychologist who's married to a friend of mine. They had a daughter and when she was born he quit his practice and stayed home to observe her and write a book. I'm fascinated by these shrink who sit around while people tell them what happened to them as kids. So my hero thinks, Gee wouldn't it be great if I could go back in time and drop that scalding pan of water on that child to see if it did turn him into the neurotic he thinks he is."

There are no scalding pans in *Raising Cain*, but little else is left out. Drownings, stabbings, smotherings... But DePalma insists that violence is part of the form.

"Ninety-nine per cent of film doesn't deal with cinema as form at all, it just photographs people talking to each other. Or driving up to buildings or walking down a street. So when you do explore the tricks and techniques, it so stirs people's eyes that they think it's a distraction. They think it's getting in the way of the characters and story. But to my way of thinking, it is the characters and story."

"I deal with movement inside a frame and violence is a very exciting aspect of that. It's like a crescendo in music, it disturbs people and makes them jump. Do composers get these questions about excessive violence?"

No; but blood on the ceiling, I suggest, is different from semi-breves on a music sheet. Are not audiences legitimately shocked by the sight of, say, a girl having her head incised by a drill bit (*Body Double*) or a woman being bloodily stabbed to death in a lift (*Dressed to Kill*)?

"We could have long discussions about political art," says DePalma, sensing the agenda moving towards feminism. Still bruised by the critics who E.O'd *Body Double* because of one arguably misogynistic scene of violence, he insists they were blinkered by dogma: something an artist should never be. "As soon as a film-maker feels under an obligation to some 'ism', he's surrendered his freedom. No art has a shorter life than political art."

But I point out that what dismayed many of the director's fans about his most

villified film - *The Bonfire of the Vanities* - was that it did exactly what he condemns. In *strewing* Tom Wolfe's story with ethnic fairness and (relative) political correctness - like changing the cranky Jewish judge to the saintly black judge (Morgan Freeman) - he kowtowed to the liberal lobby and emasculated the book's ferocity.

"I wouldn't say we kowtowed. I originally wanted Alan Arkin or Walter Matthau as the judge. But there were so many negative Jewish stereotypes in Wolfe's story already. When the budget of a movie is \$40-50m you start to worry you're going to antagonise everyone and no one's going to come and see it."

But no one came anyway. "Exactly. So I should have gritted my teeth and made it the way I wanted: which was vicious and ferocious and funny, like one of my own favourite films *The Sweet Smell of Success*. But the studio would never have agreed to do that."

The trouble with interviewing directors used to dawn executions is that one ends

up behaving like a firing squad oneself. Yet DePalma's career as a whole requires no apology. In turning the movie thriller into an authentic branch of abstract expressionism DePalma goes further than any other commercial director in treating a movie as a thing to be shaped as lovingly as a painting. For *Raising Cain* he used an architectural computer programme to map the mise-en-scene inside buildings. And almost uniquely - Hitchcock is the only other notable example - he storyboarded whole films.

"The whole problem with most movies is, they don't fit together as an aesthetic whole. You can't work out a film on paper in verbal description, you have to work it out visually. There's a big white canvas out there. Unfortunately today it's all done ass-backwards. People write scripts to sell to studios, then they think they've solved all their aesthetic problems."

"Television has become a major influence in this. We have a generation brought up on TV who perceive everything through the ear. TV is basically just

radio with pictures. It's programmed so you can stand in another room making tea and still follow the show."

Standing in another room making tea may seem to some the best way to view DePalma's films. If so, they miss out on modern cinema's most gleefully heretical body of work: one that turns seeming voices to gleaming virtues and that has a ready answer even to that most dog-eared charge, Hitchcockophobia.

"I've taken very specific story ideas from Hitchcock. Usually from *Vertigo* and *Psycho*, which touch me directly because they're about the things I'm interested in: doubles, split personalities, romantic obsessions. But I don't just quote. In *Raising Cain* I make one direct allusion to the scene of the car sinking into the pond in *Psycho*. But that's because I'm pulling a trick. The car with the drowning woman inside doesn't do what you've been set up to expect. The basic tool of movies is deception and deception is the stuff of dream. Dreams are at home in the cinema because it's the only art that makes them seem real. Literature can't, painting can't. But in a movie when you dream you think it's real. And when you wake up and think it's over maybe it's still a dream or a nightmare. You're never safe in a movie. That's its great beauty and power."



### BARCELONA

Mercat de les Flors Danat Dansa in a dance creation by Sabine Dahrendorf and Alfonso Ordóñez. Co-production with Expo 92, daily from tomorrow till Sun. Next Tues: Parveen Sultana in an evening of Indian song (426 1875) **Palau de la Música** Stanislaw Skrowaczewski conducts Barcelona City Orchestra in works by Barber, Szymanowski and Schumann on Fri and Sat evening and Sun morning (268 1000) **Liceu** Michael Hampe's Pesaro production of *La gazza ladra* opens on Mon for six performances. Paolo Olmi conducts. Jan 30: Dmitri Hvorostovsky song recital (412 3532)   
Information and booking for cultural events available through Caixa de Catalunya from 08.00 to 14.00 (310 1212)

### COLOGNE CONCERTS

Tonight in the Philharmonie, Tatiana Grindenko directs Moscow Chamber Academy in works by Telemann, Biber and Vivaldi. Tomorrow: Scottish Folk Festival. Fri: Michel Plasson conducts Rheinland-Pfalz State Philharmonic in works by Debussy, Schumann and Musorgsky. Sat: Bernhard Klee conducts Hannover Radio Philharmonic Orchestra in works by Wagner, Mozart and Haydn, with piano soloist Olli Mustonen. Sun: Peter Gülke conducts Wuppertal Symphony Orchestra in Allan Pettersson's Seventh Symphony. Jan 27, 30: Christa Ludwig sings Mahler. Jan 31: Alfred Brendel (2801)   
**OPERA** Tonight's performance in the Opernhaus is *Pirates of Penzance*, with piano accompaniment. Fri: Die Fledermaus. Sat (also next Tues): new TanzForum triple bill choreographed by Jochen Ulrich (221 8400)   
**THEATRE** A new production of Musik, Frank Wedekind's 1906 parody of social hypocrisy and its effect on the individual, opens on Fri at the Kammerspiele. Heiner Müller's theatre piece *A Shakespeare Commentary* opens at the Schauspielhaus on Jan 30, directed by Gunter Krämer. The repertoire also includes plays by Hebbel, Jakob Lenz, Jean Genet and Strindberg (221 8400)

### FRANKFURT CONCERTS

Tonight at Alte Oper: Best of

Broadway. Tomorrow: Martha Argerich is piano soloist with Württemberg Chamber Orchestra. Fri: Hot Jazz Meeting '93 with Jazz Giants USA, Dirty Dozen Brass Band and others. Sun: Michel Plasson conducts Rheinland-Pfalz State Philharmonic in works by Debussy, Schumann and Musorgsky. Mon: Harlem Gospel Singers. Tues: Montserrat Caballé song recital (1340 400). Fri and Sat at Jahrhunderthalle: Hoescht Dixieland evening with Dresden Semper House Band and Gunter Emmerlich (3601 240)   
**THEATRE** The Schauspielhaus repertoire includes Undiscovered Country, Shakespeare's Merchant of Venice and Sophocles' Antigone (2123 7444). English Theater Kaiserstrasse has Sandy Wilson's musical *The Boyfriend*, daily except Fri and Mon (2423 1820)

### GOTHENBURG

Konserthuset 19.30 Yakov Kreizberg conducts Gothenburg Symphony Orchestra in works by Blomdahl, Grieg and Shostakovich, repeated tomorrow and Fri. Next Thurs and Fri: Kent Nagano conducts Mahler's Third Symphony, with Anne Sofie von Otter (167000)

### HAMBURG

Tonight's performance at the Staatsoper is Bernstein's musical *On The Town* (also Sat and next

Thurs, Fri, Sat). Tomorrow and next Wed: Das Rheingold. Fri: choreographies by Mats Ek and Lar Lubovitch. Sun: Die Walküre (351721). Sun at Musikhalle: Hamburg Symphony Orchestra plays works by Tchaikovsky and Berlioz. Next Tues: Martha Argerich plays concertos with the Württemberg Chamber Orchestra (354414)

### LEIPZIG

Gewandhaus Tomorrow and Fri: Marek Janowski conducts Gewandhaus Orchestra in works by Mozart, Mendelssohn, Dutilleul and Debussy, with Pekine Sisters. Sat afternoon (In Thomaskirche): Thomanerchor and Gewandhaus Orchestra in Bach cantatas. Sun: Peter Roessel piano recital. Tues: Gilbert Varga conducts Stuttgart Chamber Orchestra in works by Pergolesi, Britten, Dvořák and Stravinsky, with soprano soloist Susan Roberts (7132 280)

### MUNICH

**OPERA** Tonight, Sat and next Tues in Prinzregententheater, Roberto Paternostro conducts opera concert. In which soloists of the Bavarian State Opera sing arias by Tchaikovsky and Smetana (231316). A new production of Ariadne auf Naxos opens at Gärtnerplatztheater on Sat. The repertoire also includes Khovanshchina and Entführung (201 6767)   
**CONCERTS** Tomorrow and Fri at Gastelg,

Colin Davis conducts Bavarian Radio Symphony Orchestra in works by Stravinsky and Brahms, with piano soloist Gerhard Oppitz. The Gastelg programme also includes Munich Philharmonic concerts conducted by Sergiu Celibidache on Sat and Mon (4809 8614). At Herkulessaal der Residenz, Nash Ensemble plays chamber music by Haydn, Mozart and Elgar on Fri, Heidrun Holtmann gives a piano recital on Sun and Guarnieri Quartet plays works by Brahms, Mozart and Beethoven on Mon (299901). Luciano Pavarotti sings in Verdi's Requiem on Sat at Olympiahalle (9264 3227)

### NEW YORK

**THEATRE** ● Anna Christie: Liam Neeson and Natasha Richardson head the cast in a revival of Eugene O'Neill's play, directed by David Leveaux (Criterion Center, Broadway at 45th St, 889 8400) ● The Last Yankee: Arthur Miller's new play (Manhattan Theatre Club at City Center, 131 West 55th St, 551 1212) ● Forbidden Broadway 1993: new edition of the long-running revue which spoofs Broadway's major shows (Theatre East, 211 East 60th St, 838 9090) ● Remembrance: set in Belfast, Graham Reid's absorbing play tells the story of a man and a woman - he a Protestant, she a Catholic, both widowed and in their sixties - who slowly fall in love (John Houseman, 450 West 42nd St, 967 9077)

● Oleanna: David Mamet takes on political correctness, sexual harassment and a number of other isms in this brief, powerful drama that stirs up ideologies (Orpheum, 126 Second Avenue at 8th St, 307 4100) ● The Sisters Rosensweig: Wendy Wasserstein's new play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters. (Mitzl E Newhouse, Lincoln Center, 239 8200)

### STRASBOURG

Václav Neumann conducts Strasbourg Philharmonic Orchestra tonight and tomorrow at Palais de la Musique, with a programme including symphonies by Martinu and Beethoven (8837 6777). Next production at Théâtre Municipal: L'elisir d'amore, opening Feb 3 (8875 4823)

### UTRECHT

Vredenburg 20.15 Ronald Brautigam piano recital. ● Rotterdam Philharmonic Orchestra in Smetana's Ma Vlast. Fri: Minsk Philharmonic Orchestra in all-Tchaikovsky programme. Sat: Hans Vonk conducts Netherlands Radio Philharmonic Orchestra in works by Debussy, Ravel and Stravinsky. Sun: Ton Koopman directs Amsterdam Baroque Orchestra in Bach's Brandenburg Concertos (314544)

### European Cable and Satellite Business TV

(all times CET)

#### MONDAY TO FRIDAY

**CHNN** 2000-2330, 2300-2330 World Business Today - a joint FT/CNN production with Grant Parry and Colin Chapman   
**Super Channel** 0700-0710, 1230-1240, 2230-2240 FT Business Daily   
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly with James Bellini   
0710-0730, 1240-1300 (Wed) FT Media Europe   
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report   
2240-2248 FT Report

**Sky News** 2100-2110, 2230-2300 FT Business Weekly

#### SATURDAY

**CNN** 0900-0930, 1900-1930 World Business This Week - a joint FT/CNN production   
**Super Channel** 0630-0900 FT Business Weekly   
**Sky News** 1130-1200, 1730-1800 FT Media Europe

#### SUNDAY

**CNN** 1030-1100, 1900-1930 World Business This Week   
**Super Channel** 1900-1930 FT Business Weekly   
**Sky News** 0130-0200, 0530-0600 FT Media Europe   
1230-1400, 2030-2100 FT Business Weekly



## Edward Mortimer



Friends and allies should not complain about the new US president's wish to give America's domestic problems priority. If those problems are not dealt with, it will soon be vain to hope for continued US leadership in the wider world.

But US leadership remains indispensable, even after the cold war. That was demonstrated both positively and negatively in 1991. Without US leadership, the Gulf war would never have been fought. Kuwait would be still in Saddam Hussein's clutches, and he would by now have a nuclear weapon. And without US leadership, Europe was unable to prevent genocidal war in the former Yugoslavia, where the US decided it had no strategic interest.

Mr Bill Clinton takes office in the midst of renewed hostilities against Iraq, and at the moment when a Munich-like capitulation is being imposed on Bosnia-Herzegovina. Both crises call for new thinking and bold measures. Continuity and containment will not suffice.

Last week the then president-elect told The New York Times that, if Mr Saddam wanted a new relationship with the US, "all he has to do is change his behaviour" to comply with UN requirements. Later he explained this did not mean there was any difference between his policy and that of his predecessor, or that he would normalise relations as long as Mr Saddam was in power. It meant only that Mr Saddam could avoid being bombed if he did not violate the UN ceasefire accords.

Normal relations between the US and Mr Saddam's government are indeed scarcely imaginable, after all that has happened. The danger is that Iraq may simply be left to stew, simultaneously terrorised by Mr Saddam's vicious repressive apparatus and starved by economic sanctions. It is not to be supposed that Mr Saddam would content himself with such malign neglect. He would go on pursuing his objectives in the south with "indiscriminate bombardments and destruction of local marsh villages and hamlets, resulting in innumerable arrests and deaths", as the UN's special

## Need for a US lead

### Clinton cannot escape the Iraqi and Bosnian crises

rapporteur for human rights in Iraq reported to the General Assembly two months ago. Mr Saddam would go on intimidating the Kurds in the north with terrorism, blockade and sabotage, while playing on the fears of neighbouring states that the west's real aim is to partition Iraq and set up an independent Kurdish state. He would go on taunting and provoking the US with new ceasefire violations, so as to win sympathy from other Muslims and Arab nationalists when the inevitable retaliation arrived; and would alternate this with carefully timed pledges of good behaviour, in

**If seen to succeed, Milosevic will serve as a model to even more dangerous fascists**

return for the lifting of sanctions and restoration of his control over the whole country.

Mr Clinton must not be a sitting target for those tactics. He must expose Saddam's phony David-and-Goliath act by exposing him as the real Goliath. That means indicting him and his leading henchmen for crimes against humanity; transferring Iraq's property abroad to his democratic opponents in the Iraqi National Congress; abandoning the UN-Iraq agreement which makes relief for Saddam's victims dependent on his government's goodwill; ordering and enforcing the withdrawal, not only of anti-aircraft missiles but of any and all forces that attack Iraqi civilians or prevent supplies from reaching them - starting with the 450 troops at Faida, well north of the 36th parallel,

which have been blocking the main supply route from Turkey to Iraqi Kurdistan.

The need for a tough line in Iraq is one of many reasons why Mr Clinton also needs to take a tougher line in Bosnia, thus refuting the absurd notion that Saddam is a victim of anti-Muslim prejudice. No one should imagine that the Serbian president or the Bosnian Serb leadership will be bound by last week's Geneva agreement. Slobodan Milosevic is imposing this agreement on the Bosnian Serbs as he imposed the Vance Plan on the Croatian Serbs a year ago: as a way of consolidating territorial gains and winning a breathing space from international pressure. They will neither hand over weapons nor withdraw from territory, unless forced to do so.

The Bosnian government, like the Czechs in 1938, is willing to fight. It faces a fascist enemy that has been destroying villages, raping women en masse, torturing prisoners and systematically murdering the Muslim elite. But, like the Czechs in 1938, it cannot resist the concerted pressure of western powers. They recognised its independence, but refused to let it buy weapons, thereby delivering it into the hands of its heavily armed enemies. The west will pay dearly for this organised surrender to fascism, as it did in the 1930s. Mr Milosevic may not be a Hitler but he is a Mussolini, who if seen to succeed will serve as a model to even more dangerous fascists, most obviously in Russia.

The Bush administration has used European reluctance as its excuse for a non-interventionist policy. Britain and France, but especially Britain, have used the exposure of their troops in a supposedly neutral humanitarian role, as an excuse for refusing to take sides. Mr Clinton should either put US troops alongside the Europeans and demand a change in the rules of engagement, so that they can fight their way through to those in need of relief; or he should insist that the UN force be withdrawn. The Bosnian government forces could then be properly armed and given allied air cover, to help them recover areas from which their people have been expelled.

Bosnians and Iraqis alike could fight their own battles. If the west would give up its false neutrality between them and their butchers.

It is not considered polite to say so, but the African National Congress and the ruling National party have decided that South Africa is not ready for democracy.

Today, officials from the two sides will meet to discuss just what political system will suit the new South Africa as it matures towards democracy. But they have already resolved that power should be shared between black and white for the foreseeable future, even after eventual multi-racial elections. It is a solution which may promise political stability - but can scarcely be described as democratic.

Over time, the new government may succeed in building democracy by instalments. But in the near term, South Africans will have to content themselves with rule by a coalition of convenience between the ANC and the government (and perhaps some of their opponents) - by a multi-racial oligarchy, more or less benevolent, more or less authoritarian.

Such a solution was probably inevitable for a nation which made ethnic division its *raison d'être* for 350 years. No less an authority than the American founding father James Madison recognised the problem of plural societies 200 years ago. In *The Federalist Papers*, he wrote: "It is of great importance... not only to guard the society against the oppression of its rulers, but to guard one part of the society against the injustice of the other part."

Now the ANC has accepted that principle and agreed to power-sharing, not just in a short-lived interim government, but for an indefinite period under the first permanent multi-racial constitution. The next few months will tell whether the ANC intends to erect just a facade of power-sharing, while retaining all important powers for itself, and whether the government still clings, unrealistically, to an effective white veto. But the principle is agreed that there will be a coalition cabinet - even if the ANC wins a dominant share of the vote, not only in elections for an interim government which could take place early next year, but also in an eventual poll held under a new constitution.

So the two sides have decided that neither can govern alone: Pretoria lacks the legitimacy, and the ANC lacks the skills. They belong together, in an arrangement which Lawrence Schlemmer, a South African political scientist, describes as government

# A share of South Africa's spoils

The government and the ANC are putting stability before democracy, says Patti Waldmeir

either from "separate bedrooms", or from "separate beds" - marriage is on the cards.

In the short term, this arrangement will be good for each of the parties, and for stability - but not for democracy. For with the ANC and government snug in coalition together, South Africa would effectively be a one-party state: the ANC/NP - with 75 per cent or more of the vote (around 50 per cent for the ANC, 25 per cent for the Nationalists) - would drive a wedge between opposition on the left and right, leaving only splinter groups on either side.

The one wild card is the Inkatha Freedom Party, which has a strong regional base among Zulus and whites in Natal province. Some polls put its support as high as 10 or 11 per cent nationwide. The priority, according to ANC and government officials, is to bring Inkatha into the governing coalition as a junior partner. But both have made clear that, if necessary, they will rule without Inkatha.

Chief Mangosuthu Buthelezi, the Zulu leader, may well reject this subordinate status. His reaction will do much to determine the character of the new power-sharing government. If he can be enticed to accept a role as a champion of benevolent rule by consensus, if he stays out then Mr F W de Klerk, leader of the National Party, and Mr Nelson Mandela, leader of the ANC, might have no option but to crack down on the violence which would ensue. Civil liberties, rediscovered after decades of apartheid repression, could be a casualty.

So South Africa may revert to some form of authoritarian rule, whether by the white minority or by a multi-racial majority. But both the ANC and government seem genuinely to believe that more democracy is inevitable - eventually.

Constitutional talks between the two sides are already focusing on just this issue: should



Nelson Mandela (left) and F.W. de Klerk will have to content themselves with a coalition of convenience

power-sharing be enforced or voluntary? Should regions have autonomous powers? In short, what constitutional model is both more or less democratic and workable?

On the face of it, federalism, the devolution of power to the regions, might seem an obvious solution. As Mr R.W. Johnson, a political scientist at Oxford University, points out: "Nowhere else in the world has the democratic government of so large and various a population ever been attempted without resort to federalism." And it would have the advantage of accommodating Chief Buthelezi, who poses the gravest threat to stability.

Unfortunately for those who favour federalism - the government, the IFP, the liberal Democratic Party - the concept has been discredited by decades of apartheid, which was itself a distorted version of federalism. The guiding principle of apartheid was that each of South Africa's peoples - white, coloured, Indian, Zulu, Xhosa, Sotho, Swazi, - should

be granted the right of self-determination in their own nation state. Given that background, it is scarcely surprising that the ANC views the government's plans for a federal South Africa as a renewed attempt to "divide and rule". In a sense, they are right. For the government sees the devolution of power to regional level as the best means of preventing domination by a black government ruling from Pretoria.

Mr Tony Leon, the Democratic Party's constitutional expert, quotes South African novelist Olive Schreiner to illustrate this point: "The walls of each [federal] state are so many barricades, each of which must be broken down before any oppressive domination can absolutely succeed."

Federalism takes pressure off a nascent democracy. If ethnic and tribal minorities feel they could never win power, they would have little time for democracy; if they can exercise power at regional level - with all the patronage which that implies - they would be less likely to revolt.

But the ANC is suspicious of this argument, for its goal is to create a non-racial South Africa where tribal divisions are subsumed by a single nationhood. To accept autonomous tribal political units in a future South Africa - many of the government's proposed federal provinces would be dominated by a single tribe - would be to abandon this goal.

The ANC does not dismiss devolution of power out of hand. Delegations have visited Germany and the US to study their federal systems, and ANC constitutional experts say they favour the German model of strong state governments. But ANC officials make clear that the goal of their regional policy is developmental, not political. They want to redistribute resources from rich regions to poor ones, and insist that central government must have the power to achieve this.

The debate will rage for months. In the end, Mr Leon believes: "Federalism represents the most likely compromise between a specific system of racial checks and balances on the one hand and the demand for majority rule on the other."

But the National Party is not content with regional devolution alone. The government favours a form of "consociational democracy", a political system which involves not only devolution of power but power-sharing among various groups at the executive level and special majorities in parliament for certain legislation. One advocate, Mr Arent Liphart, a political scientist, argues that in a divided country such as South Africa (with 30m blacks, 5m whites, 3m coloureds and 1m Indians) consociational democracy is the only option. He points out that majority rule violates democracy by excluding losing groups from participation, and where democracy guarantees there will be permanent losers, democracy cannot survive.

Mr Ken Owen, editor of the *Sunday Times*, one of South Africa's largest newspapers, sums up the country's dilemma: "The idea that a minority can thwart the will of the majority... is not merely unacceptable but dangerous." But neither is majority rule the answer. "Neither majority nor minority can exercise any powers for which it fails to win general consent," he concludes. Whatever its faults, power sharing may be the only answer.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Time for Names to speak out

**From Mr Nicolas Mellers.**  
Sir, Your story about the Mori poll into the intentions of Lloyd's Names ("Many Names ready to quit", January 16) was really rather tendentious. Given the losses that the market has experienced and the constant bad-mouthing that Lloyd's has had to put up with, what is truly remarkable in the Mori survey is the finding that 80 per cent of Names have decided to stick with it. The fact that a quarter of these have decided to increase their commitment is the clearest possible demonstration of confidence in what is undoubtedly going to be a very prosperous future.

More encouragement comes from the likely dramatic and gratifying reduction in resignations. If in fact 2,000-odd members do leave in the next two years, it will mean the number of resignations per year will be half what it was last year. Where all of us with the future of the market at heart seem to be falling in, in our apparent inability to spread the word about the exciting prospects for Lloyd's to others qualified to join us, it is time for the 80 per cent with confidence in the future to speak out.

Nicolas Mellers, 47 Quarrendon Street, London SW6 3ST

### Appointments raise concern about system of government

**From Prof J.D. Stewart.**  
The survey of quangos you published ("Resurgence of quangos defies Thatcher's new broom", January 14) highlighted one important but little discussed development - the tendency for an increasing amount of public expenditure to be placed under the responsibility of appointed boards. One reason for the lack of discussion is that it happens step by step, or rather responsibility by responsibility. Discussion focuses on the particular changes rather than on the implications for public accountability generally.

This is well illustrated by recent discussion about the proposals for police authorities, currently being considered by the home secretary. It has been widely reported that

he is considering replacing elected councillors on police authorities by non-appointed members, or perhaps not even non-appointed members since they may already be serving on other appointed boards. Discussion has naturally focused on the implications for the policy, rather than on the implications of adding to the extent of public expenditure under the control of appointed members. If carried through it would be a significant increase in the £14bn which your article showed to be the responsibility of appointed boards. The nature of the accountability of these boards to the public in some cases uncertain and in other cases at best indirect and they are often not subject to the degree of scrutiny and access for the public that we

insist on for local authorities. The extent of public expenditure involved and the wider issues of public accountability raised suggests the need for an examination of the role of those appointed boards - possibly by a select committee of the House of Commons. It would be unwise to extend the principle of government by appointment until there is much deeper understanding of the implications of what has already happened. The issues raised by the home secretary concern not merely the police, but the whole system of government.

J.D. Stewart, Institute of Local Government Studies, University of Birmingham, Edgbaston, Birmingham B15 2TT

### No political bias in social justice debate

**From Sir Gordon Borrie.**  
Sir, The Commission on Social Justice is grateful for all the advice it receives, including the admonition to "think radically" in your editorial ("Social justice", January 18). But I must stress that the commission - although established at the initiative of the Labour party's leader, John Smith - is an independent body working under the aus-

pices of the Independent Institute for Public Policy Research. Our final report will not only advise the Labour party but everyone who cares to read it.

The commission's members, who include people belonging to different political parties and to none, are determined to make the commission as open as possible to everyone who shares our concern with creat-

ing wider opportunities for all in our society. We hope that, with your assistance, our work will stimulate a wide and well-informed public debate which will reach well beyond the membership of any political party.

Gordon Borrie, chairman, Commission on Social Justice, 30-32 Southampton Street, London WC2E 7RA

### Changes within electricity supply industry, not subsidies to British Coal, would resolve problems faced by coal

**From Mr J.D. Meads.**  
Sir, Your leading article on the government's ideas for subsidising the coal industry ("Extra Time for British Coal", January 14) was based entirely on the mistaken premise that British Coal cannot be "saved" without substantial subsidy. This is not the case.

It is common knowledge that the price offered by British Coal to the two big generators is £1.51 a gigajoule for 1993-94, declining to £1.33 a gigajoule over the five years of the proposed contract. What is not such common knowledge is that British Coal could, next year, supply 60m tonnes to the electricity industry, at the price offered, and still make a modest profit.

According to figures I have seen the 1993-94 cash operating cost of production out of the 19 retained pits, plus the 31 pits under DTI review, plus open-cast, is expected to be £1.31 a gigajoule. Even allowing for the costs of any large capital projects (not included in the definition of cash operating costs) the output of at least some of the remaining 10 pits could be added without British Coal falling into loss.

The problem for the coal industry is not principally one of costs and prices - though we still have a little further to go before we match internationally traded coal.

The real problem is that there is insufficient room for British Coal to sell 60m tonnes

of power-station coal, because of the pre-emption of the generation market by nuclear, the French link and - especially - gas. Nuclear's slice is protected by statute; imported French electricity should be subject to the fossil-fuel levy, but isn't; and the new gas-fired stations sponsored by the regional electricity companies are protected by 15-year take-or-pay contracts for their output.

Institutional changes within the electricity supply industry are what is required, not huge subsidy to British Coal. Without institutional changes British Coal would still be faced with an artificial ceiling on the volume of coal it could sell, regardless of cost, price

and subsidy levels. The stories which have been circulating recently, in your paper and others, suggesting that the government was considering giving British Coal a £10 a tonne subsidy, were clearly inspired by the Department of Trade and Industry. They had the twin objectives of frightening people off, and diverting attention from the real problem.

Unfortunately, you seem to have fallen for it. J.D. Meads, general secretary, British Association of Colliery Management, BACM House, 317 Nottingham Road, Old Basford, Nottingham NG1 7DP

## FT Lunch for a Fiver.

### Two for a Tenner.

On Saturday January 9 the Financial Times announced the introduction of the "FT Lunch for a Fiver" with over 130 restaurants participating nationwide.

On weekdays from Monday January 18 until Friday January 29 inclusive, you are being offered an "FT Lunch for a Fiver" menu at participating restaurants. These will be listed daily in the Financial Times and published in full this Saturday January 23. The "FT Lunch for a Fiver" menu is for two courses (although some restaurants are offering three). Drinks, coffee and service are extra.

#### RESTAURANTS

L'Accento, 16 Garway Road, London W2 4NH	Tel: 071 243 2201	Snobs on the Green,	
Al San Vincenzo, 30 Connaught Street, London W2 2AF	Tel: 071 282 9823	186 Shepherd's Bush Green, London W6 7PB	Tel: 071 603 2142
Brackentbury, 129-131 Brackentbury Road, London W8 0BQ	Tel: 071 748 0107	The Red Fort, 77 Dean Street, London W1	Tel: 071 437 2525
Chilton, 63 Richmond Way, London W14 0AS	Tel: 071 602 4082	Tattons Brasserie, 11-12 Russell Street, London WC2	Tel: 071 836 4141
Daphne, 63 Bayham Street, London NW1 0AG	Tel: 071 267 7322	Veronica's, 3 Hareford Road, London W2	Tel: 071 229 9079
Del Buongustato, 283 Putney Bridge Road, London SW15	Tel: 081 780 9361	Watson's, 121 Walton Street, London SW3 2HP	Tel: 071 584 0284
Florians, 4 Topsfield Parade, Middle Lane, London N8 8BP	Tel: 081 348 8346	Wiloughby's, 26 Penton Street, London N1	Tel: 071 833 1980
Grill St Quentin, 2 Yeomans Row, London SW3	Tel: 071 581 8377	Café Rouge, 200/204 Putney Bridge Road,	
Hilaira, 68 Old Brompton Road, London SW7 3LR	Tel: 071 584 8993	London SW15 2NA	Tel: 081 788 4257
Newtons, 33 Abbeville Road, London SW4 9LA	Tel: 081 673 0877	Café Rouge, 46/48 James Street, London W1N 5HS	Tel: 071 437 4847
Osteria Antica Bologna, 23 Northcote Road, SW11 1NG	Tel: 071 978 4771	Café Flo, 205 Haverstock Hill, London NW3 4Q3	Tel: 071 435 6744
Pomegranates, 94 Grosvenor Road, London SW18 3LF	Tel: 071 828 5560	Ortel, 51 Sloane Square, London SW1 BAX	Tel: 071 730 4275
Le Pitt Normand, 185 Merton Road, London SW18 3EF	Tel: 081 877 0996	Wheeler's, Alceve, 17 Kensington High Street, London W8	Tel: 071 937 1443
Ramsome's Dock, 35 Park Gate Road, London SW11	Tel: 071 223 1611	Wheeler's, 19 Old Compton Street, London W1	Tel: 071 437 2706
Riva, 169 Church Road, London SW13 9HR	Tel: 081 748 0434		

Tatton's is listing will include more London restaurants

We are also running a competition to enter a free prize draw in which you could win a weekend for two at Cheltenham Park, Cheltenham, Devon.

Every weekday, from 11am-25th January, the Financial Times poses an "FT Lunch for a Fiver" question. Answer any 10 of the 15 questions (Close: The answer is the name of a restaurant given in that day's listing), complete an entry form which will be published every day between 25th-29th January, and send them to us at the address given below. Your comments on your favourite "FT Lunch for a Fiver" menu will also be welcome.

#### QUESTION 8: Where Disney takes son running?

#### ANSWER 8:

Answer this question, together with 9 others published during the competition period, and send them, together with a completed entry form to "FT Lunch for a Fiver", Number One Southwark Bridge, London SE1 9HL, to arrive no later than Friday February 12 1993. The prize draw will be made on Monday February 15 1993. The sender of the first correct entry drawn after the closing date, from all the entries received, will be declared the winner. Full details of the competition and previous questions are available from the Marketing Department of the Financial Times at the address given above, or on Tel: 071 873 3670.

FINANCIAL TIMES  
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## FINANCIAL TIMES

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Wednesday January 20 1993

## Risks ahead in Germany

WHEN TIMES are hard in Germany, *Katastrophe* tends to be an overworked word. Yet it is now starting to seem an apt description of the plight of the German economy. The Bonn government, habitually optimistic to the point of *insouciance* on the economic outlook for united Germany, is forecasting no growth for east and west Germany in 1993.

Many German manufacturers are uncompetitive as a result of high increases in labour costs during the 1989-1991 unification boom and the recent rise in the D-Mark against other European currencies. German exporters are thus unlikely to profit more than marginally from any US-led recovery in the world economy later this year. For the first time in the post-war era, Germany this year is likely to register an unfavourable combination of an above-average inflation rate, a current account deficit, zero or negative growth and (if the "Clinton effect" persists) undue D-Mark depreciation. Deprived of growth in an economy making up more than a quarter of EC GDP, Germany's neighbours face an outlook only a little less sobering. The Brussels Commission's forecast of only 0.8 per cent expansion in EC economies this year indicates that the Community may experience a rerun of the 1981-82 recession.

## Industrial destruction

Against this dispiriting background, Chancellor Helmut Kohl's government has been labouring to negotiate a "solidarity pact" with unions and employers. Mr Kohl wants to trade agreement on measures to curb the budget deficit with undertakings from trade unions to hold down wage growth in east and west. The results so far have been disappointing. In trying to reshape Germany's economy to weather a cyclical downturn in the west and a restructuring crisis in the east, Mr Kohl is climbing a mountain. He is still only halfway up the slope.

His longer-term objective is to lower the costs of reunification, rising sharply as a result of transfer eastwards of west Germany's rich economy system of wages, social benefits and regulations. This has hastened east Germany's industrial destruction, and increased the dependency of its population on subsidies.

## Don't worry about IBM

"THINK!" said the signs that hung in every IBM office in the company's glory days. Those notices have long gone, but the exhortation lingers. IBM's decline offers food for thought.

Yesterday's quarterly operating loss, the first in the company's history, is disappointing news for IBM's shareholders and employees. It is not, however, a cause for more general dismay. Rather, it marks a moment of transition in the industry, when leadership passes to the companies that came of age with the microprocessor.

When IBM had four-fifths of the market for computers in the 1960s and 1970s, it shaped the way the industry developed. Now that task has fallen to Intel and Microsoft, suppliers of the chips and the software which process an increasing proportion of the world's data. Along with IBM's mantle of leadership, both have inherited the resentment of the less successful. Their new dominance has led to a chorus of grumbling and - in Microsoft's case - complaints to the US competition authorities.

From the point of view of the industry's customers, however, the shift away from an industry dominated by a single company has been beneficial. Though IBM's greatest success came in the last third of the 20th century, its roots go back a hundred years to Herman Hollerith's punched cards and the salesman's school at National Cash Register.

That inheritance gave IBM a visceral commitment to proprietary technology and a strong belief in "account control", obtained through a hugely expensive network of sales and support staff. Today's management, as it wrestles with costs, is struggling as much with the legacy of IBM's past sales techniques as with the transformation of technology.

## High costs

By itself, though, the change in technology would have been enough to undermine IBM's position. The mass production of standard microprocessors and standard software - a trend which IBM itself did much to foster in the personal computer sector - has created an industry open to all comers. In such a world, the high costs of IBM's structure is a damaging competitive disadvantage.

The shorter-term objective is to convince the Bundesbank that inflation, at an underlying 4 per cent, has reached its peak. If Mr Kohl manages to stitch together a convincing package, the Bundesbank should be able to start a new round of discount and Lombard rates reductions next month. The central bank is not yet, however, persuaded that the conditions are right.

## Exorbitant rises

Bundesbank caution is understandable. Wage growth in west Germany, certainly, will slow sharply this year, with many sectors likely to settle for increases of about 3 per cent. But this is a result of the "solidarity pact" but not yet managed to persuade unions to renegotiate exorbitant 26 per cent wage rises payable to east German engineering workers in April. The government should announce that, unless this step is rescinded, it will reconsider its recent decision to inject fresh subsidies into moribund east German industrial regions.

On the fiscal front, yesterday's federal government budgetary announcements include some welcome moves to curb tax breaks. But, while avoiding across-the-board tax increases until 1996, the measures fall a long way short of the vigorous attack on public sector spending and subsidies needed to reshape the German budget. There is little sign that the government is considering fresh privatisation measures as a means of increasing revenues. State and municipal governments have yet to show they are prepared to join in Bonn-ordained fiscal austerity.

Mr Kohl and his cabinet have so far proved incapable of bringing about the reordering of German economic priorities made necessary by reunification. For two years, the necessity has been unquestioned, including by Germany's leaders. What has been lacking is the will and authority to take action. A long recession would further diminish the room for fiscal and monetary manoeuvre. The Bonn government - and the rest of Europe - must profoundly want to avoid the economic and political dangers of a prolonged downturn. But time is fast running out.

Four years of drought have ended, but 1993 is likely to bring fresh troubles for the UK water industry. The Labour party called yesterday for savage windfall taxes on the profits of privatised utilities, which prompted a 50 per cent rise in shares in water companies last year, making water the best-performing sector in the London stock market.

This week also saw another tussle between the water industry and its regulator, Ofwat, over the basis for next year's Periodic Review, in which Ofwat will reassess the way water bills are calculated for the first time since privatisation. Ofwat has made clear its concern over rising water and sewerage bills - in two months, they will rise by an average of 10 per cent, a leap of nearly 80 per cent since privatisation three years ago.

These controversies could be inflamed further this year by a political battle over plans to sell Scottish Water. All this raises questions of whether water privatisation has been successful, and whether regulation adequately protects customers.

Three years of private ownership for the 10 water companies of England and Wales have brought some undisputed benefits - principally cleaner drinking water and beaches, and faster customer service. Before the December 1989 flotation, the industry, including the 33 small water companies which are not quoted on the stock market, had suffered years of underinvestment. In many cases, water did not comply with EC standards passed nearly a decade ago.

According to Mr Trevor Newton, group managing director of Yorkshire Water, the need for massive spending, estimated in 1989 at £28bn, was the main motive for privatisation. "It's the same in Scotland now - probably £4bn-£5bn of spending needed which the local authorities cannot finance."

As a result of the spending, treatment plants have been improved, and within several years the UK will stop piping sewage into the sea. Levels of pesticides, nitrates and lead in drinking water have been reduced, and the speed of response to ruptured pipes and flooded sewers is greater. Companies also argue that they have become more efficient. "There has been a sea change in attitudes," says Thames Water.

However, critics of water privatisation maintain that customers carry much of the cost of this modernisation through higher bills - and that they are paying too much. The pricing formula agreed in 1989 was that a company could put up prices each year by the rate of inflation plus a "K" factor - a number set for each company by Ofwat, to allow it to pay for new spending.

As a result, water and sewerage bills have risen by about 5 per cent more powerful than the old "establishment" which is said to rule our lives: from the usual culprits - class system, public schools, and industrial culture and so on. Most of these gloomy diagnoses are linked, directly or indirectly, to a sense of disappointment, even despair, over Britain's economic performance since the second world war.

But is this despair really justified? An understanding of Britain's postwar record is not helped by the tendency, perhaps reflecting wartime successes, to overstate the country's competitive strengths in the 1940s and 1950s. There is a widespread view that Britain, mainly through the ineptitude of businessmen, threw away opportunities for industrial leadership after the war. But it is quite unrealistic to suppose that, in the trading environment which prevailed from the 1950s and 1960s onwards, Britain could have retained industrial leadership, except in one or two sectors where domestic conditions were particularly favourable.

The liberalisation of world trade posed problems of adjustment for Britain, as it did for the other advanced industrial nations. As a medium-sized industrial power Britain had to find a place in an integrated world economy in which other nations - the US and Japan in some fields, the newly industrialising countries in others - had important competitive advantages. Britain faced a number of particular obstacles in making this transition, some stemming from the legacy of the industrial revolution (outdated structures and institutions in older industries such as textiles and steel), some from post-war events (the sellers' market of 1945-51, the orientation to the Commonwealth, delayed entry into the Common Market). These and other factors made it more difficult for Britain to grow as fast as its continental neighbours in the 1960s and 1970s. It might have been better if Britain had resigned itself to slower but steadier expansion during that period, instead of trying to kick-start the economy and then, after the dash for growth had fizzled out, looking for scapegoats to explain its failure. From the early 1980s, when the habit of national self-denigration began to take hold, the search for scapegoats - and for miracle cures borrowed from other countries - has been a recurring theme in British economic comment.

Viewed from today's perspective, the industrial adjustment which has taken place since 1980 can be seen as neither brilliant nor catastrophic, but a patchy outcome not hugely different from that of, say, France. Compared with the continental countries, Britain did less well in the earlier post-war period, with governments and industries fumbling for a way round the obstacles, but more respectably since the

## Smoke behind the screen

■ South Australian premier Lynn Arnold arrives in London this week on a top-secret mission. His cover story is that he is here to rail against the Defence Ministry's stone-walling over the cost of cleaning up the 1960s nuclear test sites in the Mullarbut desert.

That, however, is partly a screen for an even more important job he plans to do. His contact man for it is Bernie Ecclestone, executive director of the Formula One Constructors Association, the most powerful man in Grand Prix motor racing. Since the mid-1980s, Arnold's home town of Adelaide has staged the November finale to the Formula One championship, an event raising around \$100m in tourism revenues.

However, a formidable cloud has been spotted recently on Adelaide's horizon - a new federal law banning tobacco advertising in Australia after 1995. The same cloud has already caused the demise of the French Grand Prix. And the Adelaide race is dead if sponsors like Marlboro get the jitters.

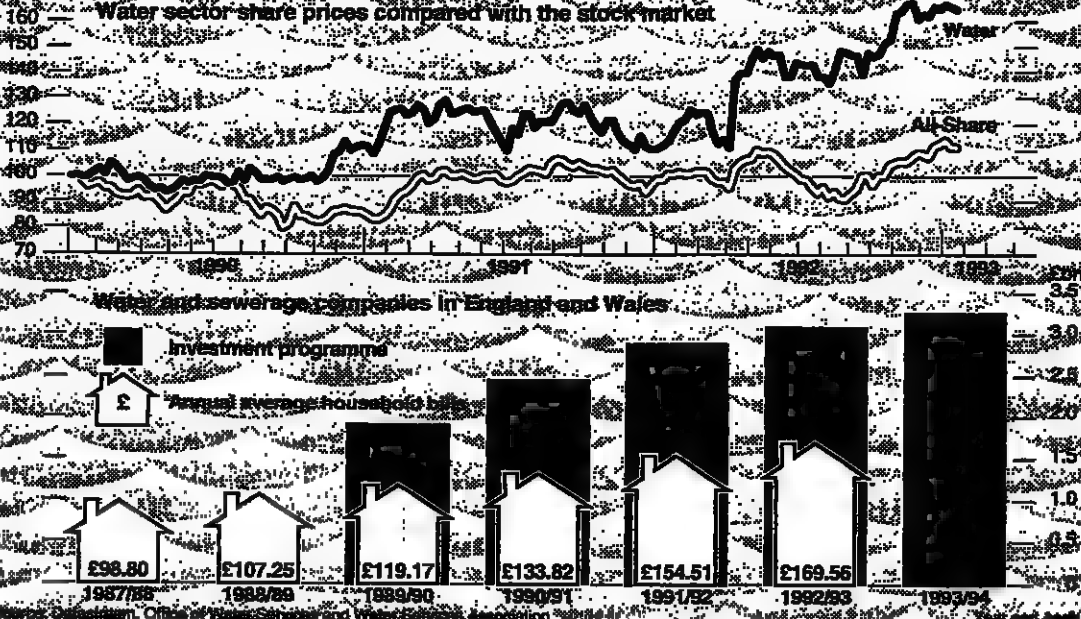
Arnold's pitch to Ecclestone is likely to consist of an assurance that the state government will apply to the Canberra for an exemption from the new legislation for the Grand Prix. Somehow that doesn't sound like a promise that will impress an argumentative opponent

## When profits land you in hot water

Are customers carrying too much of the burden of UK water privatisation, asks Bronwen Maddox

## Water: a rising tide of criticism

Water sector share prices compared with the stock market



Investment programme

Annual average household bill

Water and sewerage companies in England and Wales

Investment programme

Annual average household bill

Water and sewerage companies in England and Wales

Investment programme

Annual average household bill

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Investment programme

Annual average household bill

above inflation each year and will reach an average £170 a year on April 1. This compares with annual rises below inflation for the privatised telephone, gas and electricity utilities.

Ofwat has warned that last year's bills could double in real terms by 2005 as the true cost of meeting EC and national environmental rules becomes clear. The regulator has suggested that full compliance with all the rules could mean spending £45bn by 2006, more than 50 per cent higher than estimates at privatisation.

Even water executives have criticised the privatisation for not anticipating the industry's costs more accurately. Some also suggest that because the price formula allows the water companies to pass on much of the cost to customers, it has encouraged over-ambitious water standards, beyond the levels necessary for health. "I think that [if the government had been bearing the costs] there may well have had to be more scrutiny of the standards, going back to the drawing board in some cases," says Sir Roy

Watts, chairman of Thames Water. Environmental groups such as Friends of the Earth claim that, for the same reason, the price formula has given water companies little incentive to try to pass costs back to industries and farms, which are the source of the pollution. The water industry stresses the difficulty of identifying the culprits, but concedes some of the charge: "It is policy to make the polluter pay, but there's not a lot of [that practice] about," says Sir Roy Watts.

However, the most frequently voiced attack on the privatisation, and the focus of Labour's complaints, is that shareholders do not carry enough of the industry's financial burden. Dividends have risen by between 6 per cent and 10 per cent a year since 1989, and the shares - now worth £10.7bn - have more than doubled in value.

Industry observers point out that critics often overstate the attractions of the shares. They argue that, although the reliability of the water companies' profits and dividends has increased the shares' popularity during recession, this advantage will diminish by comparison as

other companies recover.

However, the question of striking the right financial balance between shareholders and customers is also the main dispute - and an increasingly acrimonious one - between the water industry and Ofwat. Ofwat is ultimately responsible for getting that balance right when it sets price rises - a tough job, because it is almost impossible to create even limited competition in supplying water and sewerage.

On Monday, the disagreements broke out again when the water companies attacked Ofwat's latest consultation paper as "fundamentally arbitrary and dented". Alone among the utility regulators, Ofwat is legally obliged to allow the companies to earn a "reasonable rate of return" on their capital when setting price rises. The dispute is about how to define that reasonable rate of return, an issue central to the 1994 Periodic Review.

That review, which will set rises in water bills until 2005, will be the biggest test since privatisation of whether the regulatory framework adequately protects the customer. Mr Byatt has won public praise for

his concern for poorer households faced with hefty bills. He can take some credit for the industry's increasing efficiency - he has made clear that he may penalise inefficient companies by setting them lower annual price rises at the review. He has also restrained annual price rises - held back this spring by about 1 per cent.

However, leading City firms are questioning whether Mr Byatt will be able to be as tough at the review as his public comments suggest. Robert Fleming Securities, the investment house, argued in a report last month: "Any attempt by Ofwat to set tough new price controls will be thwarted by the industry's massive investment programme. The programme is the saviour for shareholders... Ofwat cannot afford to be too severe or it will be in breach of its legal requirements to ensure that the industry can finance its activities."

The argument is put vigorously by the industry itself: according to one finance director, "Mr Byatt has to face the realities of the market - we need the rates of return we are getting to raise money for the capital spending".

Comments like that identify one of the biggest difficulties of Ofwat's role, and one of the possible weaknesses of the regulatory regime in protecting the customer. Mr Byatt appears to have formidable power in setting price rises. But he is also legally obliged to set them high enough for companies to have enough money to bring their pipes and plants up to specified standards. Yet he does not control the water quality standards, which are set by the European Commission, the UK government and the National Rivers Authority, the river-quality watchdog. As a result he has almost no control over the industry's costs - and so in reality only limited control over prices.

Mr Byatt's decisions in 1994 will show whether scepticism about the extent of his power is warranted. In the event, the water companies' anxieties about how their customers react to rising bills may be at least as important as Ofwat's endeavours to restrain them.

A few companies say, privately, that most customers do not yet appear worried about bills, which are still usually less than those for gas, electricity or telephone. But water will eventually overtake the others - "and I guess we know in all honesty we can't keep putting up the prices forever at this rate, whatever the K formula says", one finance director conceded.

The water companies are right to be concerned - they have a difficult case. Privatisation has clearly brought customers cleaner water and beaches, but there are legitimate concerns that the price they are paying may be too high.

## The myth of Britain's decline



PERSONAL VIEW

Is there no limit to the British passion for self-denigration? Newspapers and magazines are filled with articles lamenting - or revealing - the breakdown of national institutions, the demise of traditional British virtues and the weakening of the economy. After a false dawn in the 1980s, some commentators are delighted to report, Britain has regained its reputation as the sick man of Europe.

This mood, spread by a coalition of frustrated anti-Thatcherites on the left and nostalgic conservatives on the right, is dangerous. By encouraging the belief in an all-encompassing British decline, it distracts attention from the piecemeal attack on specific problems which are neither insuperable in themselves nor substantially different in character and severity from those that afflict other countries.

The media establishment (far

more powerful than the old "establishment" which is said to rule our lives: from the usual culprits - class system, public schools, and industrial culture and so on. Most of these gloomy diagnoses are linked, directly or indirectly, to a sense of disappointment, even despair, over Britain's economic performance since the second world war.

But is this despair really justified? An understanding of Britain's postwar record is not helped by the tendency, perhaps reflecting wartime successes, to overstate the country's competitive strengths in the 1940s and 1950s. There is a widespread view that Britain, mainly through the ineptitude of businessmen, threw away opportunities for industrial leadership after the war. But it is quite unrealistic to suppose that, in the trading environment which prevailed from the 1950s and 1960s onwards, Britain could have retained industrial leadership, except in one or two sectors where domestic conditions were particularly favourable.

The liberalisation of world trade posed problems of adjustment for Britain, as it did for the other advanced industrial nations. As a medium-sized industrial power Britain had to find a place in an integrated world economy in which other nations - the US and Japan in some fields, the newly industrialising countries in others - had important competitive advantages. Britain faced a number of particular obstacles in making this transition, some stemming from the legacy of the industrial revolution (outdated structures and institutions in older industries such as textiles and steel), some from post-war events (the sellers' market of 1945-51, the orientation to the Commonwealth, delayed entry into the Common Market). These and other factors made it more difficult for Britain to grow as fast as its continental neighbours in the 1960s and 1970s. It might have been better if Britain had resigned itself to slower but steadier expansion during that period, instead of trying to kick-start the economy and then, after the dash for growth had fizzled out, looking for scapegoats to explain its failure. From the early 1980s, when the habit of national self-denigration began to take hold, the search for scapegoats - and for miracle cures borrowed from other countries - has been a recurring theme in British economic comment.

Viewed from today's perspective, the industrial adjustment which has taken place since 1980 can be seen as neither brilliant nor catastrophic, but a patchy outcome not hugely different from that of, say, France. Compared with the continental countries, Britain did less well in the earlier post-war period, with governments and industries fumbling for a way round the obstacles, but more respectably since the

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## First western helicopter joint venture with Moscow valued at FF550m Eurocopter signs Russian deal

By Paul Betts, Aerospace Correspondent, in Paris

EUROCOPTER, a Franco-German helicopter manufacturer, yesterday announced it had signed an agreement with three Russian companies to develop and market a 30-seat helicopter.

Eurocopter is the first western helicopter group to establish an industrial partnership with the Russian helicopter industry. The group signed a co-operation deal with Mil, Kazan and Klimov to develop and market a 30-seat, 14-tonne civil helicopter. The craft, called the M138, will compete against western-produced models.

The helicopter, expected to enter service in 1999, will be developed at the Mil helicopter plant in Moscow.

Mr Jean François Bigay, Eurocopter's chairman, said the European group would invest about FF550m (\$102m) in the project. The Russian authorities had agreed to finance their share, he added.

Eurocopter will be responsible for the cockpit, avionics system and passenger accommodation of the twin-engine helicopter. It will compete in the same market as the civil version of the EH101 helicopter under development by Westland of the UK and Agusta of Italy.

The M138 is also expected to challenge plans by Sikorsky of the US to develop a large helicopter, the S82. Mr Bigay said market studies suggested an annual demand for about 300 large helicopters worldwide.

Eurocopter is the west's second

largest helicopter manufacturer after Sikorsky. It was formed last year when Aerospatiale of France and Deutsche Aerospace pooled their helicopter activities.

Russia has long been the largest producer of helicopters. Since the breakup of the Soviet Union, Russian companies have been seeking partnerships with western manufacturers to help them penetrate western markets.

Western manufacturers have also shown growing interest in co-operation with Russian companies to break into the Russian helicopter market, which has been closed to western companies until now, and is regarded as offering significant longer-term potential.

Western aerospace manufacturers in general are keen to forge links with Russian groups.

Agreements have already been signed between Russian companies and western airframes, avionics, and aeroengine companies, but until yesterday no agreement had been reached in the helicopter sector.

However, the helicopter market continues to be under pressure because of the decline in military spending and economic slow-down. Eurocopter booked 159 new helicopter orders last year compared with 256 in 1991, reflecting the general decrease in the industry.

Eurocopter sales last year dropped to FF11.6bn from FF12.6bn in 1991. But Mr Bigay said Eurocopter had broken even in its first full year of operation, computer software provider meets a real need. Investors are balancing the possibility of a dividend cut following next week's board meeting against their calculations of a break-up value of the company. But IBM's recovery hinges on its ability to catch up with change. The omens are poor.

## Brussels to seek meeting with G7 finance ministers

By Lionel Barber in Strasbourg

THE EUROPEAN Commission is seeking a special meeting of Group of Seven finance ministers to bolster monetary co-operation and co-ordination between the EC and the incoming Clinton administration in the US.

Mr Henning Christophersen, EC economics commissioner, said yesterday that lack of monetary co-operation with the US was partly to blame for September's crisis in the European Monetary System and the resulting turbulence in international currency markets.

It is understood that contacts between Brussels and Washington have taken place with a view to holding a meeting of G7 finance ministers early next month - well ahead of their scheduled talks in April, around the time of the International Monetary Fund's policymaking interim committee.

In Senate confirmation hearings last week, Mr Lloyd Bentsen, US Treasury secretary-designate, showed interest in breathing new life into G7 co-operation.

Mr Christophersen - who as an EC commissioner would not normally attend a G7 finance ministers' meeting - said it was "very important" to revive inter-



Christophersen: Interest rate gap

national monetary co-operation inside the G7 which he said had fallen into disrepair. "In the past nine to 10 months, there has been a wide gap between US and European interest rates. That is part of the explanation of what has happened in the currency markets," he said.

Mr Christophersen believed European interest rates had now "peaked" - picking up the optimistic theme struck last Monday at a meeting of EC finance ministers in Brussels. He predicted that Germany would soon be able

to lower interest rates, based on the prospect of a wages pact between unions, employers and the Bonn government and tax increases to fund the costs of reunification.

These were the preconditions set by the Bundesbank for an early cut in interest rates, said Mr Christophersen, who this week unveiled a lower forecast of 0.8 per cent growth in the Community in 1993 - down from between 1 and 1.5 per cent. He suggested yesterday, however, that a small fiscal stimulus in the US could lead to an extra 0.5 per cent growth in the EC this year.

On prospects for Ecu, Mr Christophersen said it was likely that the planned enlargement of the EC to include Austria, Sweden, Finland and Norway by 1995 would increase the chances of a "majority" of EC members opting for a common currency.

Under the provisions of the Maastricht treaty, the Commission must prepare a report on whether member states are in compliance with strict convergence programmes on budget deficits, inflation and exchange rate stability. Mr Christophersen predicted that the new Scandinavian members and Austria would probably meet the criteria and want to press ahead with the third stage of Ecu by 1997.

## Mediators to visit Zagreb and Sarajevo over flare-up

By Laura Silber in Pale, Bosnia, and Robert Maunier in London

INTERNATIONAL mediators Cyrus Vance and Lord Owen yesterday said they would fly to Zagreb and Sarajevo today. The announcement came as the Bosnian Serb parliament was still debating whether to approve their constitutional proposals for a new Bosnian state.

The mediators' spokesman, Mr Fred Eckhard, said they had been invited by President Alija Izetbegovic of Bosnia to try to bring an end to the flare-up of fighting between Muslims and Croats, nominally allies in the conflict with the Serbs.

Mr Vance and Lord Owen - who will have talks with President Franjo Tudjman of Croatia and Bosnian Croat leader Mr Mate Boban in Zagreb, after meeting Mr Izetbegovic - will not go to Pale, the Bosnian Serb headquarters, where the local assembly was due to vote on the peace plan last night.

The general expectation was that the assembly would approve the proposed constitutional framework, under which Bosnia would remain a unitary state, but would be divided into 10 largely self-governing provinces.

Mr Radovan Karadzic, the Bosnian Serb leader, last week accepted the plan, on condition that it was approved by his assembly, after strong pressure from Mr Slobodan Milosevic, the Serbian president. Mr Karadzic said he would urge deputies to vote "yes" because the document "nevertheless enables us to reach our goals".

Yet it is clear the Bosnian Serbs interpret the proposals differently from their authors, who see them as a guarantee against the creation of an independent Serb state within Bosnia which would have the freedom to decide on a union with Serbia proper.

In Pale, Serb officials said they viewed it as similar to the United Nations peace plan for Croatia: a means to consolidate their territorial gains in Bosnia. Far from restoring Bosnia-Herzegovina's territorial integrity, the officials said the plan opened the way to a de facto recognition of a Bosnian Serb republic. "The plan is a little like the Koran," Mr Todor Dutina, the Bosnian Serb deputy foreign minister, said. "It can be interpreted in many ways."

## Clinton's inauguration

Continued from Page 1

announced this week, ensuring not too many empty desks in the corridors of power this afternoon. At the White House, the desks were finally being cleared. Some incumbents are staying on for a while, but some confusion reigns.

President George Bush's packing is about done and he made his internal farewells. Apart from last-minute consultation on Iraq, his only remaining official order of business is to have the Clintons over for coffee this morning, to accompany them to Capitol Hill for the inauguration ceremonies and leave for Texas.

## THE LEX COLUMN

# Big Blue turns red

The fourth-quarter operating loss and huge restructuring provisions announced yesterday by IBM were heavily trailed in advance. Yet the scale of the company's problems is still breathtaking. While the bureaucracies of several US corporate giants have been overtaken by a changing business climate, IBM's plight seems worst of all. The company has seen its main large computer market dwindle with astonishing speed.

It is fashionable to blame the chairman, Mr John Akers, for being slow off the mark, but there is little the company could have done to avoid its basic dilemma. The falling price of computing power was bound to lead eventually to standardisation and cheaper networks - IBM's personal computer software provider meets a real need. Investors are balancing the possibility of a dividend cut following next week's board meeting against their calculations of a break-up value of the company. But IBM's recovery hinges on its ability to catch up with change. The omens are poor.

Splitting the company up might help some divisions - notably personal computers - but there are others, like networking systems, whose fate is firmly tied to IBM's mainframe sales. It is also far from clear that the company's aim of becoming a large-scale service and software provider meets a real need. Investors are balancing the possibility of a dividend cut following next week's board meeting against their calculations of a break-up value of the company. But IBM's recovery hinges on its ability to catch up with change. The omens are poor.

## British Airways

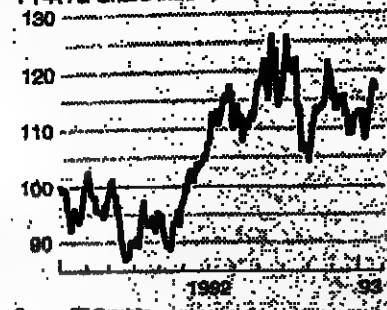
There are two ways of looking at the share price implications for British Airways of the Virgin libel victory. The indulgent one, adopted by the market so far, is that it will have little fundamental impact. Disgracefully though BA has behaved, the government is not about to force it to code routes to Virgin. BA is unlikely to lose Virgin to gain much business as a result of the case. BA may find its relations with government a little harder, but it does not mind brushing with authority - witness its decision to halt contributions to the Tory party in 1991.

This version, though, may be too simple. The market has come to attribute BA's transformation to the leadership of Lord King and Sir Colin Marshall. Their failure to root out and stop the dirty tricks campaign against

FT-SE Index: 2737.6 (-25.5)

## National Power

Share price relative to the FT-SE All-Share Index



Virgin reveals their judgment as seriously flawed. Less can be taken on trust in future, especially if BA now becomes inward-looking and obsessed with damage limitation.

Perhaps the strategy is not all it is cracked up to be. Having failed to cement its original alliance with USAir, should BA now be doggedly pursuing a lesser but still costly deal with the same partner? Mr Branson is determined to make the most of his victory. The more he succeeds in shaking faith in BA's leadership, the greater the threat to its share price. If investors were to start losing money as a result, complaints about corporate governance would escalate.

## UK electricity

The outperformance of National Power and PowerGen this year suggests a market belief that British Coal pits can be saved without a sacrifice from the generators. Whether any subsidy for British Coal is funded from the nuclear levy or a new surcharge on electricity bills, shareholders will not bear the cost. The details have to be hammered out in Brussels. But it is hard to imagine the Europeans supporting the scheme. A bigger risk is that the government's enthusiasm also leads to measures which the electricity regulator finds irksome.

A ban on gas-fired power projects, for example, might disappoint National Power and PowerGen. Both have plans for gas-fired plants. By restricting competition in generation, though, the government would entrench the coal-burning duopoly. Even if Professor Littlechild swallowed such political interference, the

chances of a reference to the Monopolies and Mergers Commission would increase. While the Treasury is itching to sell its remaining 40 per cent stake in the generators, that might seem a distant threat. Equally, five-year deals with British Coal and the regional electricity companies should underpin earnings growth. But with the shape of government energy policy still unclear, there is plenty of room for disappointment.

## UK gilts

The gilts market was short-sighted to rally on the basis that the forthcoming auction will be for £2.5bn rather than the £3bn that some had feared. Before long the auctions will become considerably larger. Yesterday's PSBR figures confirm the trend towards a larger deficit. Stripping out the distortions caused by monthly VAT payments adds around £1bn to December's deficit. Central government revenues thus fell slightly in the first nine months of 1992-93 while expenditure increased by almost 15 per cent. Having largely funded this year's deficit, the authorities may want to avoid premature alarm about 1993-94. But investors should be wary.

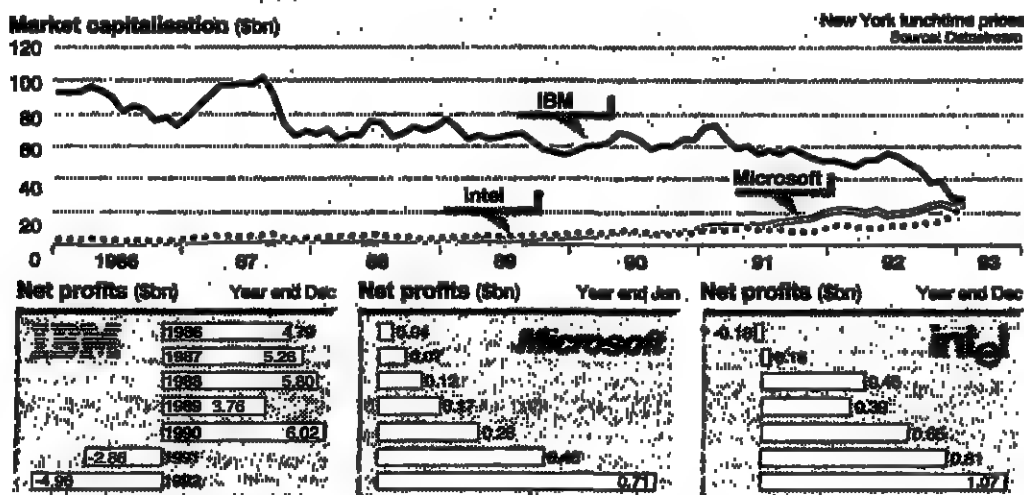
## Higgs and Hill

The flurry of excitement surrounding housebuilder Berkeley Group and Higgs and Hill was over almost before it started yesterday. Berkeley sold its stake in Higgs at a tidy profit as soon as market awareness of its interest caused a spike in the price. Nevertheless, the episode highlights anomalies in the valuation of some construction companies.

Many housebuilders have long traded at a sizeable discount to stated assets - and with good reason. The market has been unable to assess the true worth of assets as companies have collapsed and land prices have crumbled. Valuing shares has been rather like trying to pin the tail to the donkey.

But Berkeley's purchase of Higgs shares was prompted by the belief that the disparity between asset value and share prices had gone too far. With Higgs' sound enough finances and book assets of £2 per share valued at below 40p, it is difficult to disagree. The point may have been reached when it is cheaper for growing housebuilders, such as Berkeley, to acquire land by buying undervalued rivals than to buy land directly.

## New world order: upstarts overtake IBM



International Business Machines, the creation of Thomas Watson sen., made its name in tabulating equipment. It was slow into computers but after the launch of System/360 in 1964, it quickly captured the world market for mainframes. It dominated data processing for 25 years through aggressive, resourceful marketing. A latecomer to personal computers, it eventually dominated that market. IBM planned to achieve \$100bn annual sales by the turn of the century but failed to appreciate the speed at which customers were moving from expensive mainframes which commanded high gross profit margins to networks of smaller, cheaper computers.

Microsoft was a small personal computer software company in 1980 when IBM asked its youthful president Bill Gates to develop operating software for its soon-to-be launched personal computer. New some 120m pcs world-wide run on the company's MS-DOS. The success of the PC made Microsoft's fortune and ensured its significant position in the future of the computer industry. Microsoft supplies 30 per cent of the world pc market; Gates, still only 37, is America's richest man with about \$7bn. While not outstandingly innovative, the company is an aggressive marketer. It faces a US investigation into allegations of unfair and monopolistic practices.

Intel, now the world's largest semiconductor manufacturer, benefited greatly from IBM's decision to use its family of microprocessors for the market-leading IBM PC. Pc manufacturers aiming to build machines compatible with IBM's were obliged to use Intel chips or copies made by other manufacturers. Under Andrew Grove, the semiconductor maker has fiercely protected its dominant position - some 70 per cent or more of pcs use Intel chips - by refusing to license its most sophisticated designs to its competitors. It improved sales and profits dramatically in 1992 and is expected to repeat the performance this year with its Pentium chip.

## IBM plunges to \$4.97bn annual loss

Continued from Page 1

net losses of \$560m, against net profits of \$1.78bn a year ago. Most of the 1992 restructuring costs were charged to US operations, where some 29,000 jobs were cut. The US operations also carry the bulk of product development costs.

In December, IBM announced plans to cut another 25,000 jobs this year, about half in Europe. The company also said it would cut research and development spending by about \$1bn this year, to \$8bn, and reduce general expenses by the same amount.

Gross profit margins will continue to be under pressure, it

warned. In the fourth quarter of 1992, gross margins declined to "slightly below 40 per cent" from 49.9 per cent in 1991 and 55.5 per cent in 1990.

The spotlight will stay on IBM next week, when its board will decide whether to reduce the shareholder dividend, which stands at \$4.84 a year.

World Weather		°C		°F		°C		°F		°C		°F		°C		°F			
		Boulogne	S	9	48	Frankfurt	F	8	48	Majorca	S	15	59	Oran	S	12	54		
		Buenos Aires	F	7	45	Glasgow	F	8	46	Moscow	S	18	61	Oslo	S	11	54		
		Calcutta	S	23	73	Göteborg	F	8	46	Paris	S	14	57	Perth	S	11	54		
Ayacucho	F	13	55	Buenos Aires	C	23	73	Guam	F	5	41	Prague	C	3	37	Tientsin	S	14	57
Algiers	R	19	66	Caracas	S	19	68	Helsinki	Sn	-1	30	Reykjavik	C	-3	27	Valencia	S	13	56
Amsterdam	F	7	45	Cape Town	F	16	61	Hong Kong	S	25	77	Rio de Janeiro	F	18	64	Vienna	S	11	52
Bombay	S	16	61	Cebu	F	27	81	Indianapolis	S	8	43	Montreal	C	19	68	Winnipeg	S	37	89
Batavia	S	13	55	Cebu	S	16	61	London	F	4	39	Munich	C	7	45	Warsaw	S	5	41
Bangkok	C	32	90	Cebu	S	-14	7	Mumbai	F	13	55	Norfolk	F	-18	0	Washington	S	-3	27
Bombay	S	13	55	Cebu	S	16	61	Osaka	F	10	50	Stockholm	F	12	54	Yokohama	C	4	43
Bombay	S	-2	28	Copenhagen	R	2	36	Jakarta	R	30	86	Seoul	S	-4	25	Temperatures at midday yesterday			
Beijing	F	17	63	Cebu	S	13	55	Johnsborough	F	31	88	Nairobi	R	26	79				
Beirut	R	8	46	Dallas	F	13	55	Los Angeles	S	12	54	Shanghai	F	12	54				
Bombay	S	7	45	Dublin	F	8	46	London	F	8	46	Siam	C	25	77	Strasbourg	C	10	50
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**PROFIT WITH THE ENVIRONMENT**  
RPS GROUP PLC  
THE ENVIRONMENTAL CONSULTANCY  
0235-863206

# FINANCIAL TIMES COMPANIES & MARKETS

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Wednesday January 20 1993

Net Profit through Networking  
with  
**NEWBRIDGE**  
Building Business Networks  
Newbridge Networks Ltd.  
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## INSIDE

### VW quits joint plan for small electric car

Volkswagen, the German carmaker, has been forced to abandon its pioneering small electric car development project with SMH, the Swiss watchmaker. VW, whose profits are falling steeply, is pulling out to avoid heavy investment. The Swiss company, maker of the popular Swatch watch, said it would consider alternative partners. Page 16

### Quest for the blotch-free crisp

A genetically modified potato may put a stop to discoloration on crisps caused when starches turn to sugar on contact with hot cooking oil. Maribo Seeds has modified the carbohydrate make-up in a strain of potatoes, reducing the sugar content. Page 24

**UK mining suppliers link up**  
The UK coal industry crisis has led two of Britain's biggest mining equipment businesses to propose creating a joint venture that will be a leading international supplier of pit supports and conveyor belts. Dobson Park Industries plans to combine its mining equipment division with Mecco International. Pages 22, 18

**Eastman Kodak cuts 2,000 jobs**  
Eastman Kodak, the photographic products company which has recently unveiled steps to improve its lacklustre earnings, announced further action in its core imaging business which will lead to the loss of 2,000 jobs. Page 18

**Yorkshire-Tyne Tees up to £16m**  
Mr Clive Leach, group chief executive of Yorkshire-Tyne Tees Television, admitted that the UK group had been "high bidders" for its ITV franchise, as it announced increased pre-tax profits of £16m (£24m). Interest was focused on what happens now the merged company must pay £2.76m a year in fees to the Treasury. Page 22

**Far East year to grow about**  
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## INTERNATIONAL COMPANIES &amp; FINANCE

## Steel tube producers link up

By Haig Simonian in Milan and Christopher Parkes in Frankfurt

THREE OF Europe's leading producers of steel tubes are combining part of their interests to rationalise production and confront the continuing weakness in prices and demand.

Ilva, the Italian state steel group, Mannesmann of Germany and Usinor Sacerlo of France will take equal stakes in a joint venture combining their seamless stainless steel tube operations.

The deal, still subject to approval by the companies' boards and the European Commission, involves Dalmine Tubi Special, owned by Ilva, Mannesmann Edelstahlrohr and France's Valinox.

The new venture expects annual sales of about DM400m (\$251.5m). That would give it about 30 per cent of the European market, putting it roughly on a par with Sandvik of Sweden, the current market leader.

The deal has been prompted by a mixture of excess capacity, falling demand and the collapse of some export markets for seamless stainless steel tubes.

It reflects the partners' satisfaction with the operation of a similar three-way venture, Europipe, in which they have pooled their large-diameter tube businesses.

Mannesmann has a much larger, 50:50 collaboration deal in precision tubes and pipelines with Hoesch, part of the Krupp steel and engineering business.

This deal, which created a company with annual sales of about DM1.2bn, was approved earlier year by the European Commission, even though the partners shared 50 per cent of the German market.

The commission said at the time that other European steel producers, "such as Ilva, British Steel and Usinor-Sacerlo can be expected to act as real and effective competitors in future."

"To reduce costs further,

rationalisations on an international basis are necessary", said Ilva.

The company, which owns almost 60 per cent of Dalmine, said each of the three partners would cut capacity by about 30 per cent. Precisely how the reductions would take place is still not clear. "There are obviously going to be closures and job losses," Ilva said.

Seamless stainless steel tubes, produced at Dalmine's plant near Bergamo in northern Italy, accounted for about L100bn (\$67.1m) of total 1991 group sales of L765bn.

Ilva lost L498bn before minority interests in 1991.

In spite of putting aside about L411bn of extraordinary gains into a special fund to cover restructuring costs, the group is expected to announce a substantially bigger loss for 1992.

IRI, the Italian state holding company which controls Ilva, has given its management a mid-1993 deadline to produce a wide-ranging restructuring plan.

## VW quits small car venture with Swiss group

By Kevin Done, Motor Industry Correspondent

VOLKSWAGEN, the German carmaker, has been forced to abandon its pioneering small car development project with SMH, the Swiss watchmaker.

VW, under financial pressure with profits falling, is pulling out to avoid heavy investment in the project.

SMH said VW was withdrawing because it had to cut costs. The Swiss company, maker of the popular Swatch watch, said it would continue with the project and was considering offers and alternative partners.

VW joined forces two years ago with SMH to develop a small electric car for city use. It is continuing development work on its own city car project, called Chico, which may be powered by a hybrid petrol/electric power unit or by a small two-cylinder engine under development.

General Motors, the US carmaker, said yesterday that sales of its Opel/Vauxhall cars in Europe reached a record 1.61m units last year, a 3.9 per cent rise from 1.55m in 1991.

GM said its cars, which are sold under the Opel brand in continental Europe and Vauxhall in the UK, captured 12.0 per cent of west European new car sales in 1992 compared with 11.6 per cent a year earlier.

Total GM group car sales in west Europe (including Saab, Lotus and imports from the US) rose to 1.69m last year, which pushed GM into second place in the west European new car sales league behind the Volkswagen group, which includes which Audi, Seat and Skoda.

GM began production last year at two new assembly plants in eastern Germany and in Hungary.

It opened an engine plant in Hungary, where it has taken over as market leader. It expects to be lifted in Europe with the launch this spring of a new generation small car to replace the Opel Corsa/Vauxhall Nova.

## Enichem loss deteriorates to L853.9bn

By Haig Simonian in Milan

ENICHEM, the Italian chemicals group owned by the ENI state holding company, has revealed a rise in losses to L853.9bn (\$573.1m) at parent company level in the 10 months to end-October 1992.

No comparable figures are available for the same period in 1991 as the 1992 figures have emerged in a special prospectus produced by EniChem for the planned merger of 10 subsidiaries into the parent company.

The 1992 figure compares with a restated loss of L732bn for the parent company for all 1991.

At group level, EniChem lost L721bn after minority interests

in the first half of last year. Full-year figures are not due until May. Earlier this year, the company said it hoped to close 1992 with a group loss of less than L1,000bn.

The new information suggests that may no longer be possible. The figures reveal marked deterioration in EniChem's financial performance during 1992. The prospectus implies weakness in demand and prices for the bulk chemicals which comprise most of EniChem's business.

Pro forma figures for the first 10 months of 1992 show that EniChem's turnover amounted to L5,534bn at parent company level, against L6,786bn for the whole of 1991.

The figures exclude results for the Montefibre synthetic fibres business and the EniChem Augusta detergents operation, both of which are listed on the stock market. Also excluded is EniChem's synthetic rubber business, and the fine chemicals.

EniChem has suffered badly from the downturn in demand and lower prices for many chemicals products. The adverse market factors have combined with political difficulties in Italy in closing plants and trimming its labour force, leading to increasingly heavy losses.

The group has endeavoured to alleviate matters by forming joint ventures with other pro-

ducers in a number of areas. Last year, EniChem announced a strategic alliance with BP Chemicals of the UK in the styrene and polyethylene fields. It has predicted that the incorporation of the 10 subsidiaries into the parent company should realise savings of up to L200bn a year.

Banco Ambrosiano Veneto (Ambroveneto), Italy's biggest private sector bank, forecast a significant increase in profits for 1992.

Official figures will not be available for some time. However, the bank reported a 21 per cent rise in customer deposits to L21,367bn and a similar-sized increase in loans to L18,856bn.

## UK mine suppliers propose joint scheme

By Andrew Bolger in London

THE CRISIS facing the UK coal industry has led two of Britain's biggest mining equipment suppliers to propose creating a joint venture which will be a leading international supplier of pit supports and conveyor belts.

Dobson Park Industries plans to combine its mining equipment division with Mecco International, the former mining equipment division of Dowty Group, which was the

subject of a management buy-out in 1989.

Between them, Dobson Park and Mecco supply all of British Coal's hydraulic roof supports and 80 per cent of its conveyors, used to carry coal away from the face. The joint venture, to be called Longwall International, will have annual sales of about £300m (\$310m), more than 70 per cent of which will be overseas-oriented.

Longwall will have strong market positions in the US, South Africa and Australia.

The deal is conditional on approval by Dobson Park shareholders and the UK competition authorities. Dobson Park, which also has power tools and toys businesses, said this move would enable it to focus on the group's industrial electronics division.

The two companies said cost reduction benefits should result from the integration of the two businesses and a provision of £3.5m has been made to cover costs and fees.

The businesses in the venture have shed about 1,000 jobs each over the past three years, as British Coal has contracted. Industry sources said it was likely the combined group's roof support businesses would be concentrated at Dobson's Wigan factory, while the conveyor businesses would be integrated at Mecco's Worcester plant.

Mr Alan Kaye, Dobson Park's chairman, said speculation about redundancies and closures was premature. Analysis, Page 22

## OFT to hear of misgivings on Owners Abroad takeover plan

By Michael Skapinker and Richard Gourlay in London

BRITAIN'S Association of Independent Tour Operators is tomorrow expected to tell the Office of Fair Trading that Airtours' proposed takeover of Owners Abroad would seriously hamper the viability of small travel companies.

The association, which represents 126 independent tour operators, is expected to tell the OFT that Airtours' acquisition of Air 2000, Owners Abroad's charter carrier, would make it increasingly difficult for smaller travel companies to book airline seats.

It will also say that the takeover would give Airtours and Thomson, the UK's largest travel company, a dominant position on the high street, which would drive smaller travel agencies out of business. Thomson owns Lunn Poly, the UK's largest travel agents' chain, and Airtours owns Pickfords, the

second-largest.

A draft submission to the OFT is due to be considered by the association's council today. Within the next month, the OFT is expected to make a recommendation to Mr Michael Heseltine, the trade and industry secretary, who will then decide whether the £217m (\$330m) bid should be referred to the Monopolies and Mergers Commission.

Mr Noel Josephides, AITO's chairman, said that Owners Abroad's seat wholesaling business had enabled smaller operators to sell holidays from a wide range of UK airports. He said Owners Abroad had supplied aircraft seats to every member of the association which used charter flights. By contrast, Thomson and Airtours used their aircraft primarily for their own programmes.

Mr Josephides added that Lunn Poly and Pickfords were able to rely on the financial strength of their parent companies to offer discounts

on holidays which independent travel agents were unable to match. With two travel companies dominating the industry, the position of independent agents would deteriorate further, he said.

Mr Howard Klein, Owners Abroad chairman, told an AITO meeting yesterday that four operators could expect greater stability from his company's proposed tie-up with Thomson Cook and LTU, the German tour operator.

"Our deal, retaining the three majors, will bring a greater deal of stability to the UK market," Mr Klein said.

Thomson was unlikely to remain passive as an enlarged Airtours challenged a dominance of the UK market that had lasted 20 years.

"For some years forward, Thomson should fear a combined Owners Abroad and Airtours more than it should fear an Owners LTU deal," Mr Klein said.

## Strong sales growth at Ares-Sorono

By Paul Abrahams in London

ARES-SORONO, the Geneva-based diagnostics and pharmaceuticals group, has reported sales up 18.7 per cent to \$854m from \$732m for the year to December 31.

The figures do not include the contribution of the OTC division, which was sold to American Home Products, the

US group, during the first quarter of last year. No group profit figures were given.

Pharmaceutical sales rose 20.3 per cent to \$751m from \$624m. Underlying growth, excluding currencies, was 18.6 per cent. Sales in the group's three main therapeutic areas - infertility, immunology and paediatric endocrinology - all rose more than 20 per cent.

Landis & Gyr, the Swiss electromechanical engineering group, said the pace of new orders in the last three months of 1992 declined from the near-record levels of the previous year, but gave no specific figures, Reuters reports. "New orders... have declined as expected in the first quarter of the current year," Mr Willy Kissling, chairman, said.

## NCC sells tyre service division

By Christopher Brown-Hume in Stockholm

NCC, the Swedish property and construction group, yesterday announced the sale of Linjedäck, the Nordic region's largest tyre service chain, for SKr125m (\$17.3m).

The purchaser is Procuribus, the risk capital company, which is partly-owned by Trygg-Hansa SFP, the Prudential Insurance Co of America and the UK pension fund of International Business Machines.

NCC said it was selling the operation in order to concentrate on core business. Linjedäck produced a profit of SKr18m on turnover of SKr367m in 1991.

## Colombian bank in \$50m equity issue

By Sara Webb in London

CORPORACION Financiera del Valle, a Colombian banking and financial institution, is due to launch Colombia's first international equity issue with a \$50m offering that is

scheduled for next month.

CFV, which has investment banking and fund management interests as well as a venture capital portfolio, wants to increase its capital base to expand its loan portfolio and venture capital investments.

CFV is listed in Colombia, and the International Finance Corporation (the private sector financing affiliate of the World Bank) is a shareholder.

Merrill Lynch and the IFC have been appointed as global co-ordinators for the issue.

## SAMSUNG CO., LTD.

Notice to the holders of Samsung Co., Ltd. Global Depositary Shares.

NOTICE IS HEREBY GIVEN TO THE HOLDERS OF THE ABOVE MENTIONED GDSs THAT the Board of Directors Meeting of the Company, held on October 31, 1992 and December 11, 1992, resolved to issue NEW SHARES under the following terms and conditions.

- Form of shares: common shares and non voting preferred shares in registered form.
- Number of shares to be issued:
  - Rights Issue: 2,255,000 shares of common stock
  - Bonus Issue: 634,750 shares of common stock and 171,350 shares of non voting preferred stock.
- Issue Price:
  - Rights Issue: 13,500 Korean Won per share, tentatively.
  - Bonus Issue: 5,000 Korean Won per share.
- Allocation of New Shares:
  - 20% of Rights Issue shall be allocated for subscription by employees of the company according to the Law on Fostering the Capital Market in Korea.
  - Remaining 80% of Rights Issue shall be allocated for subscription by shareholders registered on December 31, 1992 in the proportion of 0.13009302 share per one share (2 GDSs).
  - Bonus Issue shall be allocated to shareholders registered on December 31, 1992 in the proportion of 0.05 share per one share. In the case of the Bonus Issue, the Rights Issue allocated as stated above shall be taken into account in determining the total number of shares held by shareholders, and shareholders are entitled to the same form of share as and in proportion to their holdings.
- Record date: December 31, 1992.
- Subscription period: February 9, 1993 - February 10, 1993.
- Payment date: February 12, 1993.
- Others:
  - Fraction of shares and unsubscribed shares shall be disposed of according to the Resolution of the Board of Directors Meeting.
  - The actual issue price will be determined at a later date pursuant to the regulations of the Korean Securities and Exchange Commission. Such price will in no event be greater than the tentative issue price mentioned above.
  - GDS holders should contact the Depositary (Citibank, N.A.) for further information.

## SAMSUNG CO., LTD.

## NOTICE OF REDEMPTION

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
Washington, D. C.  
("IBRD")

IBRD 6.4% Japanese Yen Bonds of 1985  
Due 1995 (Thirty-third Series) (the "Bonds")

We hereby notify holders of the above Bonds that on March 11, 1993, the entire outstanding amount of the Bonds is to be redeemed pursuant to Condition 17 of the Bonds by IBRD exercising an optional redemption right of 100 billion yen (optional redemption price: 102%).

Paying Agents: With respect to definitive bonds, the principal of and interest on the Bonds are payable at any of the paying agents mentioned therein. With respect to recorded bonds, the payment shall be made at the paying agent designated in the application for the recording of the Bonds.

The Industrial Bank of Japan, Limited  
as Representative Commissioned Company for the Bonds

20th January, 1993

## SOCIETADE MINEIRA LA SABINA

Special mining shareholders company, constituted in 1855, without fixed capital, with statutory office in Huelva, Spain, and with branch office in Minas de S. Domingos, Mérida, Portugal. Registered with the Commercial Registration Office of Mérida, no. 36720728.

Corporate ID. no. 500267430.

## CONVENTION

Shareholders are invited to attend the General Meeting to take place on February 22nd, 1993 at 15:00 hours at the actual head office of the Company at Campo Grande 30 - 9th floor A, in Lisbon, Portugal, with the following agenda:

- Resolution on the management's report, the accounts for 1992, and the application of the results.
- General appreciation of the administration and the audit of the Company.
- Resolution on the adaptation of the Articles of Association to the Portuguese law, with determination of fixed capital resulting from the value of assets and reduction of liabilities by conversion of debts into capital, and on the alteration of the name, the statutory head office, the object, and the remaining Articles.
- Election of the members of the Board for the period of 1993 through 1996.

The documents referring to the 1st point of order and the draft of the adaptation of the Articles to Portuguese law with the respective substantiations are held at the above mentioned actual head office at the shareholders' disposal.

Lisbon, January 12th 1993

The Chairman of the General Meeting and Director of the Company

Kurt Weinreich

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**GROUP GOLD MINING COMPANIES**

Summary of reports: quarter ended 31 December 1992

**Randfontein Estates**

The Randfontein Estates Gold Mining Company (Westminster) Limited  
Registration number 01/0025/1008

	Quarter ended	Quarter ended	Quarter ended
	31.12.92	30.09.92	31.12.92
Ore milled: tons (000)	31,12.92	30,09.92	31,12.92
Yield: grams per ton	2,099	2,037	4,135
Working cost	3,98	3,80	3,83
- per ton milled	R102,77	R103,03	R102,90
- per kilogram produced	R26 898	R27 067	R26 893
	R000	R000	R000
Net profit before tax	80 297	58 040	116 337
Net profit after tax	48 454	47 371	95 825
Capital expenditure	25 688	24 930	50 618
Dividends	21 397	-	21 397

**Western Areas**

Western Areas Gold Mining Company Limited  
Registration number 590320406

	Quarter ended	Quarter ended	Quarter ended
	31.12.92	30.09.92	31.12.92
Ore milled: tons (000)	530	545	1,075
Yield: grams per ton	6,22	5,84	6,03
Working cost	-	-	-
- per ton milled	R201,78	R193,87	R197,77
- per kilogram produced	R22 447	R23 175	R22 805
	R000	R000	R000
Net profit before and after tax	8 953	8 076	17 029
Capital expenditure	5 948	4 552	10 500

**H. J. Joel**

H. J. Joel Gold Mining Company Limited  
Registration number 6501/95006

	Quarter ended	Quarter ended	Quarter ended
	31.12.92	30.09.92	31.12.92
Ore milled: tons (000)	214	250	464
Yield: grams per ton	6,27	5,83	5,93
Working cost	-	-	-
- per ton milled	R201,42	R187,52	R193,93
- per kilogram produced	R22 119	R23 295	R22 721
	R000	R000	R000
Net profit before and after tax	5 166	775	5 941
Capital expenditure	5 899	8 927	14 626

All figures are unaudited. Quarterly reports have been mailed to the shareholders of each company. Copies of the reports may be obtained from Barnato Brothers Limited, 99 Bishopsgate, London, EC2M 3XE.

Johannesburg  
20 January 1993

**U.S. \$50,000,000**

**Hyosung (America), Inc**

(Incorporated with limited liability in the State of New York, U.S.A.)

**Guaranteed Floating Rate Notes due 1996**

For the three month interest period 19th January, 1993 to 19th April, 1993 the Notes will carry an interest rate of 3/4 per cent per annum, with a Coupon Amount of U.S. \$484.38 per U.S. \$50,000. Note, payable on 19th April, 1993.

Listed on the Luxembourg Stock Exchange

KDB Asia Limited  
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**HMC MORTGAGE NOTES S PLC**

£150,000,000  
Class A  
and  
£7,500,000  
Class B

Mortgage Backed Floating Rate Notes due July 2000

Notice is hereby given that for the Interest Period from January 16, 1993 to April 16, 1993 the Class A Notes and Class B Notes will carry interest rates of 7.275% and 8% respectively. The interest payable on the relevant interest payment date, April 16, 1993 for the Class A Notes will be £1,758.97 and for the Class B Notes will be £1,828.77 per £100,000 nominal amount.

By: The Chase Manhattan Bank, N.A.  
London, Agent Bank  
January 20, 1993

**FLASH LIMITED SERIES B**

U.S. \$30,200,000

Secured Floating Rate Notes Due 1993

In accordance with the conditions of the notes, notice is hereby given that for the six-month period 20th January 1993 to 20th July 1993 (381 days) the notes will carry an interest rate of 3.66313% p.a. Relevant interest payments will be as follows:

Notes of U.S. \$100,000  
U.S. \$1,841.74 per coupon.  
THE SANWA BANK LIMITED  
Agent Bank

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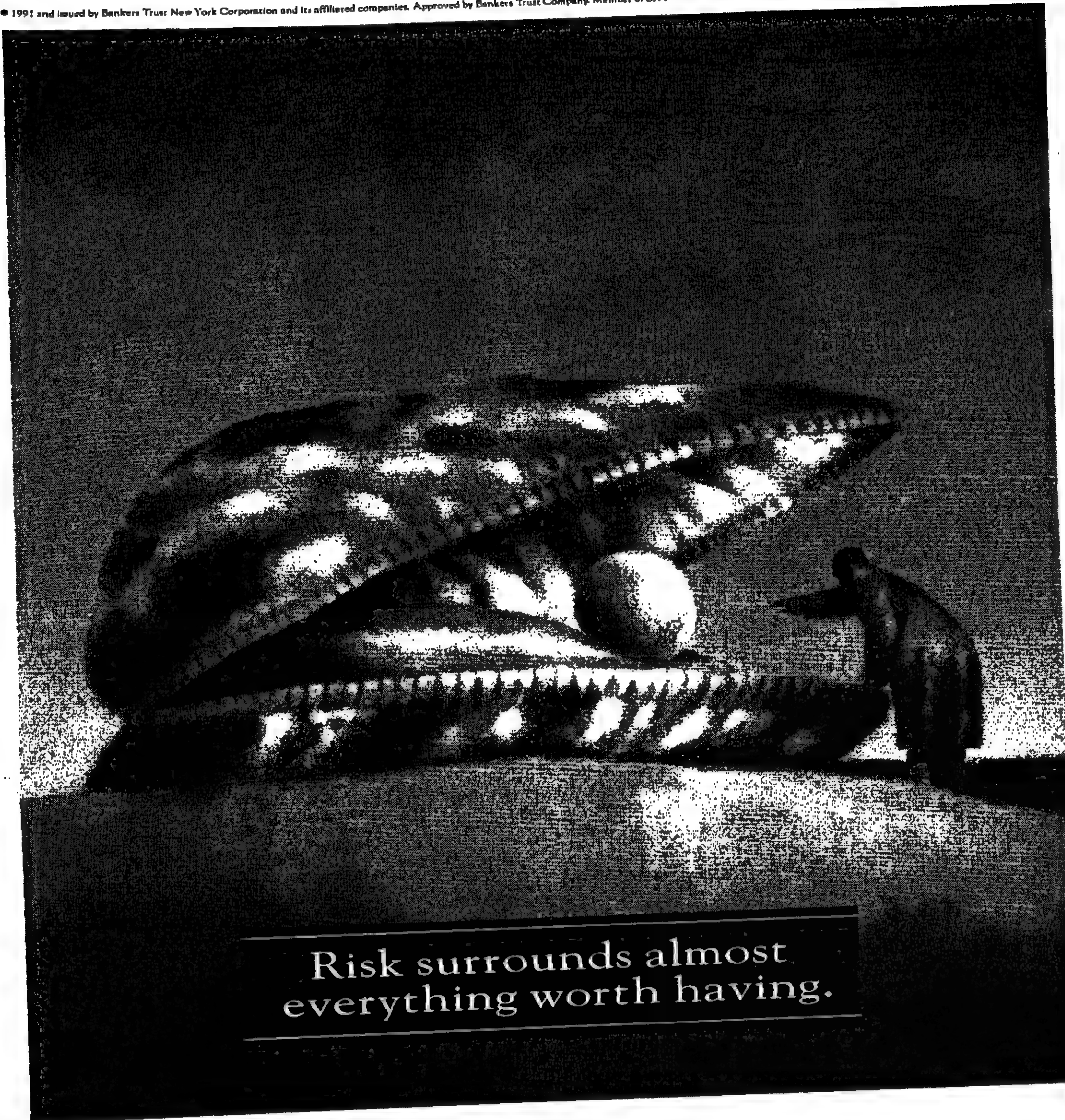
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## INTERNATIONAL COMPANIES AND FINANCE

Chase Manhattan advances 23% over year in wake of staff cuts

## US banks' recovery trend continues

By Alan Friedman  
in New York

THE RECOVERY trend among big US banks was underscored by improved fourth-quarter and full-year 1992 results from Chase Manhattan and Chemical Banking in New York, Banc One in Ohio and Wells Fargo in California.

Net profits at Chase Manhattan, the New York bank that has been cutting staff and restructuring operations, were 23 per cent higher at \$63m, or \$3.46 per share, for the whole of 1992.

The earnings were up despite bad debt provisions that rose to \$1.22bn for the year from \$1.09bn in 1991.

Fourth-quarter net income was \$169m, or 87 cents, against \$135m, or 59 cents, last time. Provisions for the quarter were \$305m, down from \$315m a year earlier.

Net loan write-offs for 1992 were \$1.27bn, against \$1.93bn in the previous year, while write-offs on US commercial property loans were \$453m, compared with \$377m last time. Chase said it reduced its commercial property loan exposure in the US to \$6.7bn in 1992, from \$8.6bn at the end of 1991.

The bank's earnings last year were helped by net inter-

## New chief for Canadian bank

Bank of Nova Scotia yesterday named Mr Peter Godsoe chief executive officer in place of Mr Cedric Ritchie, who has held the job for the past 21 years, writes Bernard Simon in Toronto. Mr Ritchie, aged 65, remains the longest-serving chairman among Canada's big six banks. He is likely, however, to relinquish this post in time to Mr Godsoe, who was previously the bank's president and chief operating officer. Mr Godsoe, aged 56, has been with the bank since 1986.

est revenues of \$3.6bn, up from \$3.4bn in 1991.

Chase's common equity-to-assets ratio was 5.25 per cent at year-end, up from 4.36 per cent a year earlier. The return on assets was 0.64 per cent, against 0.52 per cent in 1991.

Chemical Banking had its first full year of operations since the merger of Chemical and Manufacturers Hanover Trust. It achieved fourth-quarter net income of \$304m, or \$1.09 a share, compared with a \$240m (\$2.49 a share) loss in the same quarter of 1991, or up by 48 per cent when compared to the 1991 quarter's profit before merger-related restructuring charges.

For the whole of 1992, Chemical's net profit was a healthy \$1.086bn, or \$3.90, against \$1.54m, or 11 cents, in 1991 after restructuring charges and 39 per cent higher with the

1991 charge stripped out. Mr John McGillicuddy, chairman, said the strong earnings "clearly validate the merger".

Chemical's bad debt provisions in 1992 were \$1.365bn, little changed from \$1.345bn in 1991. Total loan write-offs, excluding less-developed countries' debt, were \$1.365bn, against \$1.91bn in 1991. The bank's common equity-to-assets capital ratio was 5.7 per cent at year-end, up from 4.1 per cent in the previous year. The tier one measure used by regulators was 7.2 per cent, up sharply from 5.1 per cent at the end of 1991.

In Ohio, the Banc One Corporation offered showed it was able to turn in solid profits even as it continued to make acquisitions. The fourth-quarter 1992 net profit was \$193.1m, or 81 cents, up by

27.7 per cent from \$151.2m, or 65 cents.

Bad debt provisions were \$114.3m in the quarter, down from \$171.9m in the same period of 1991. The provisions level was slightly higher for the year, at \$510.5m, against \$502.7m. For the whole of 1992 Banc One had \$781.3m, or \$3.28 per share, of net profits, a rise of 32 per cent on the 1991 net.

Banc One's 1.34 per cent return on assets in 1992 was nearly twice the industry average and its common equity-to-assets ratio of 8.1 per cent made it one of the best capitalised banks in the US.

Wells Fargo, the California bank that has been hit by commercial property loan problems, had net profits of \$233m, or \$4.44 per share, in 1992 against \$21m, or 4 cents, in 1991.

Earnings in the fourth quarter of 1992 were \$58m, or 83 cents, compared with a \$231m (\$4.59 a share) loss in the same period of 1991.

The bank's bad debt provision in the last quarter was \$300m, down from \$700m a year before.

Before the close on Wall Street, Chemical's share price was 3% higher at \$42; Chase was 5% lower at \$30; Banc One was 1% higher at \$52; Wells Fargo was 8% higher \$86.

## Bethlehem splits plants into separate businesses

By Martin Dickson  
in New York

BETHLEHEM Steel, the second-largest US steel manufacturer, is splitting its two large plants into separate businesses in order to make them more financially accountable and to bring them closer to their customers.

The move is a significant departure for a company which has a reputation as one of the more conservative of America's integrated steel manufacturers.

It is one of the first initiatives by the company's new chairman, Mr Curtis Barnett, who was formerly Bethlehem Steel's senior vice-president.

Mr Barnett took over as chairman late last year on the retirement of Mr Walter Williams.

The new units are based on the company's two flat rolled steel plants at Burns Harbor, Indiana, and Sparrows Point, Maryland. The two plants together produce some 7.5m tons of steel a year. Each will now be responsible for its own marketing, operations and financial performance.

As part of the move, Bethlehem's product marketing operations, run from group headquarters in Bethlehem, Pennsylvania, will be split between the two units.

The move will make Bethlehem's structure similar to that of low-cost mini-mills.

The mini-mills, which make steel from scrap metal, have made substantial inroads over the past 20 years into markets once dominated by the integrated manufacturers.

Mr Barnett said "major benefits of the business unit structure include improved customer focus, responsiveness, speed of decision-making, employee commitment and business awareness."

"It places the responsibility for the success of the business in the hands of those at the division level."

## Reynolds Metals posts \$152m loss

By Laurie Morse  
in Chicago

REYNOLDS Metals, the diversified aluminium producer based in Richmond, Virginia, suffered a fourth-quarter loss of \$152.1m, or \$2.55 per share. For the full-year, the deficit was \$745.8m, or \$12.56 a share.

The losses reflect previously-announced after-tax charges for environmental and restructuring costs and for changes in benefits accounting.

Without the special items, the company said it would have reported net income of \$1.26 per share for the year, including 8 cents per share in the fourth quarter for tax benefits related to Canadian debt restructuring.

In 1991, the company earned \$33.7m, or 40 cents per share, in the fourth quarter.

Sales for the 1992 fourth quarter were \$1.35bn, compared with \$1.45bn in the corresponding period of 1991.

Mr Richard G. Holder, chairman, said continuing world oversupply of aluminium and depressed prices led him to expect another loss in the first quarter and "gradual improvement thereafter".

## Eastman Kodak to shed 2,000 workers

By Martin Dickson

EASTMAN KODAK, the photographic products company which has recently unveiled steps to improve its lacklustre earnings record, yesterday announced further action in its core imaging business which will lead to the loss of some 2,000 jobs.

Mr Kay Whitmore, chairman, said this was part of a plan for the group's three business groups - imaging, health and chemicals - which was designed to deliver "positive cash flow and a solid increase in operating income" in 1993.

The most urgent action would be in imaging, where 1992 operating earnings would fall short of plan, and would include cancellation of some research and development projects; a reduction in infrastructure costs; and scrutiny of capital spending.

Equipment manufacturing operations in Germany would

be consolidated and the company would study its manufacturing sides around its headquarters in Rochester, New York state.

The job cuts will be concentrated in Rochester and will be largely compulsory. The company employs 132,000 people worldwide, of whom around 77,000 are in the US.

Mr Whitmore said the costs associated with the job cuts would be more than made up by the end of this year, and the overall programme would lower net costs by more than \$200m in 1993.

In a letter to shareholders, he said 1992 earnings per share were expected to show a moderate increase over 1991, with restructuring charges removed from both years, and cash-flow would be strongly positive.

However, earnings would be helped by one-time gains from asset sales and "on an operating basis, our performance in 1992 was not satisfactory."

## Smith Corona halves income in second term

By Karen Zagor in New York

SMITH CORONA, the US maker of portable typewriters which is 48 per cent owned by Britain's Hanson group, yesterday posted second-quarter operating income of \$6.2m, compared with \$10.8m a year earlier.

Net income stood at \$4m, or 13 cents a share, compared with \$7m, or 23 cents, the previous year, while sales fell 22 per cent to \$86.7m from \$111.7m.

Mr Lee Thompson, chairman and chief executive, said the company was encouraged by signs of improving US retail sales and reduced retailer inventory levels in spite of the decline in sales during the quarter.

"While it is too early to

determine if the recent improvement in retail activity will be sustained, we are encouraged by these recent trends as well as the enthusiasm and upbeat mood at the recent Winter Consumer Electronics Show," he said.

For the six months to December 31, the company suffered an operating loss of \$1.8m, compared with operating income of \$17.3m the previous year.

In the first half, it recorded a net deficit of \$1.1m, or 4 cents, including restructuring charges of \$9.5m largely related to moving its manufacturing facilities to Mexico.

A year earlier, the company had no restructuring costs and net income stood at \$11.1m, or 37 cents. Sales for the first half slid to \$188m from \$198.9m.

## Canadian airlines face warning

By Bernard Simon in Toronto

THE CANADIAN government has threatened to step in if the country's troubled airlines fail to take firmer action to reduce their chronic excess capacity.

The warning from Mr Jean Corbett, the transport minister, follows a decision by Canadian Airlines International to restate some flights which it earlier planned to cut.

Canadian's change of heart, which will reduce its cuts from 15 per cent to 5.7 per cent of capacity, was in response to a cutback of only 3 per cent by its arch-rival Air Canada.

The struggle between Air Canada and Canadian has been exacerbated by the entry of National, a small Montreal-based charter airline, into some of the two leading carriers' busiest routes. All three have introduced cut-throat fares between Toronto and Montreal in recent weeks.

A ministry spokesman declined to provide details on the action being contemplated to reverse deregulation, introduced in 1987. "We would like the industry to self-discipline itself," he said. "But if we find they're not capable of doing so, we may jump in."

Any move is unlikely, however, before the government receives recommendations, probably within the next few weeks, from a panel which conducts an annual review of the National Transportation Act.

Air Canada and Canadian have been losing an estimated C\$2m (\$1.5m) a day in their battle for market share.

Ottawa and several provinces provided C\$120m in loan guarantees to Canadian's parent company last November to facilitate an alliance with Dallas-based American Airlines and a restructuring of its C\$3.2bn debt.

## AHP rises 7.9% in fourth quarter

By Karen Zagor

AMERICAN Home Products, the US pharmaceutical company, yesterday posted a 7.9 per cent rise in underlying pre-tax fourth-quarter earnings to \$500.1m from \$464m.

The adoption of new accounting standards contributed to a 3 per cent decline in AHP's net income for the three months, to \$361.6m, or \$1.16 a share, from \$372.6m, or \$1.18.

Sales in the quarter rose 10 per cent to \$2bn from \$1.82bn. For the full year, pre-tax income from operations advanced 10.2 per cent, to \$1.94bn from \$1.76bn.

Net income rose to \$1.46bn, or \$4.65, in the year, from \$1.38bn, or \$4.36. Full-year sales were up 11.1 per cent to \$7.57bn from \$7.08bn.

AHP said its effective tax rate, excluding a \$220m acquired research charge, had

increased to about 28.5 per cent from 22 per cent. It expects its 1993 effective tax rate to be 26 to 27 per cent.

During the year, pharmaceutical sales rose 14 per cent to \$4.59bn, although the rate of growth slowed to 13 per cent for the year.

Sales in the consumer health care segment were 12 per cent higher for the year, at \$1.61bn, and 7 per cent higher for the quarter at \$393.5m.

## IBM UK performs worse than parent for third year

By Alan Cane

IBM's performance in the UK was significantly worse than that of its parent for the third year in succession, reflecting the length and depth of the British recession.

IBM UK recorded losses in 1992 of \$616m (\$336.32m), equal to 16.4 per cent of revenues, while losses for the worldwide group amounted to 7.7 per cent of revenues.

Exports, traditionally a strong feature of the UK subsidiary, fell for the first time, undermining IBM's concern that the European market has turned down precipitously.

Sir Anthony Cleaver, IBM UK chairman, said there had been no recovery in the UK because of weak demand, especially for hardware, competitive pressures on margins and currency fluctuations.

He said: "We had the unusual situation where reductions in product costs were unable to keep pace with price trends in the market. Our export market was affected by similar factors."



Nick Temple: warned that 1993 would be another tough year

The group turned over \$3.75bn, 6 per cent down on last year's \$3.98bn. Home revenue fell by 6 per cent to \$1.6bn, compared to \$1.7bn, while exports of goods and services fell from \$2.28bn to \$2.14bn.

The operating loss was \$396m. Taking restructuring charges of \$218m into account, the group loss before taxes totalled \$616m, almost five

times the £124m loss in the previous year.

Mr Nick Temple, chief executive, who has been masterminding a far-reaching plan to return the company to profitability, said the company was being transformed from a general computing company to a consultancy and services-led business.

But he warned that 1993 would be another tough year. "Our overall manpower has been reduced by 21 per cent since 1990. This has been accompanied by a reduction in the number of UK sites."

"These actions have helped us to achieve a further overall expense reduction of 10 per cent in 1992 and will help us continue to achieve substantial reductions in 1993."

Salaries have been frozen and a further 1,000 jobs are expected to go at IBM UK this year. All the job losses will be made by voluntary redundancy or by attrition, Mr Temple confirmed. IBM UK now employs 13,834 people, compared with 14,909 at the end of 1991. See Lex, Editorial Comment

## Shift in market depresses sales

By Louise Kehoe  
in San Francisco

IBM yesterday presented a grim picture of its struggles to come to terms with fundamental shifts in the computer market.

Sales of IBM's key products - mainframe computers, large capacity data storage systems and minicomputers - all declined sharply, reflecting a broad market shift away from centralised computing toward networks of smaller computers.

Mainframe sales were down 12 per cent for the year, while sales of minicomputers fell by "a couple of points for the year in a softening market".

Personal computer sales were down by about 16 per cent for the year, despite a strong comeback in the fourth

quarter. One bright spot was the company's workstation business, which grew by about 30 per cent.

The product sales results reflect an industry-wide shift toward smaller, less expensive computers that carry lower gross profit margins. IBM said gross margins in the fourth quarter were "slightly below 40 per cent," with pricing pressure in the mainframe, data storage and PC sectors driving the decline.

PC profit margins improved in the fourth quarter, raising hopes that pricing pressures have eased, IBM said. But yesterday Compaq Computer, one of IBM's largest competitors in the market, announced price cuts of 12 to 16 per cent on its portable notebook PCs.

Hardware sales declined as a percentage of total revenues to

52 per cent for the year from 57 per cent in 1991.

This reflects a significant shift in the computer industry, and especially for IBM, toward services as a primary source of revenue and income. IBM said its software revenues rose 5.8 per cent for the year, to \$1.1bn. However, software revenue declined 3 per cent in the fourth quarter, largely because of lower sales of software for minicomputers.

Services, including consulting and systems integration, rose 31.7 per cent for the year to \$7.36bn. IBM sees this sector as a significant growth opportunity and is rapidly expanding its service operations worldwide.

Revenues from rentals and financing rose 11.9 per cent to \$4.68bn, but showed slower growth in the fourth quarter.

## PaineWebber reports record profits

By Patrick Harverson  
in New York

PAINEWEBBER, the US securities house, yesterday reported 1992 earnings 41 per cent higher at a record \$213.2m, despite a decline in fourth-quarter profits.

The drop in earnings during the final quarter to \$41.2m, down from \$46.8m in the same period of the previous year, disappointed investors, who marked down PaineWebber's stock price 8 1/2 to 9 1/2 per cent to \$205.8m, and asset management revenues, which

banking fell 13 per cent to \$86.5m, while income from principal trading slipped almost 4 per cent to \$185.5m, primarily a reflection of less favourable conditions in the financial markets.

At the same time, employee compensation and related expenses rose \$14.3m to \$847.6m.

Other areas of PaineWebber's business, however, posted strong gains in the final quarter, including brokerage commissions, which rose 8.3 per cent to \$205.8m, and asset management revenues, which

jumped 21 per cent to \$70.9m as more investors entrusted their funds with the company's fund managers.

The modest downturn in the final quarter could not take the shine off a year which PaineWebber's chairman, Mr Donald Marron, described as "outstanding".

Like the rest of Wall Street, the company reaped the benefits of buoyant stock markets, low interest rates, heavy inflows of investor funds into stocks, and record levels of corporate debt and equity issuance.

## Kellogg improves 11.4% to \$675m

By Nikki Teit in New York

KELLOGG, the US cereal group, yesterday registered an underlying profits improvement of 11.4 per cent, at \$675.1m after tax, for 1992.

Sales rose by 7 per cent to \$6.19bn, or by 9 per cent if the effects of selling Fearn International, Kellogg's former food service subsidiary, are stripped out.

Kellogg's final figures, however, were muddled by a gain

on asset disposals and accounting changes. The net gain from asset sales was \$25.5m, but this was offset by a \$269.7m charge from the change in US accounting practice for non-pension post-retirement benefits.

As a result, Kellogg posted after-tax profits of \$431.2m for the year, down from \$606m in 1991, and earnings per share fell to \$1.81 from \$2.51.

During the fourth quarter, reported sales fell 1.7 per cent to \$1.42bn, but Kellogg said this reflected the Fearn disposal.

Without this, sales would have risen about 4 per cent. Fourth-quarter profits from operations rose from \$118.2m to \$132.5m.

Mr Arnold Langbo, chairman, described the figures as encouraging, and said they reflected record cereal volumes. However, on Wall Street, Kellogg shares eased back by 1 1/4 to \$61 1/2 before the close.

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## GOLD FIELDS OF SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)  
(Registration No. 05/04191/0/06)

## INTERIM REPORT

## CONSOLIDATED INCOME STATEMENT

	9 Months ended 31 December 1992	9 Months ended 31 December 1991	Year ended 30 June 1992
	Rm	Rm	Rm
Revenue	116	123	288
Income from investments	116	123	288
Profit on realisation of investments	104	108	215
Income from fees, interest and other sources	225	231	506
Expenditure	87	77	183
Administration, technical and general	60	54	105
Internal	7	5	12
Drilling and prospecting	20	18	42
Amounts written off investments	-	-	4
Profit before tax	139	154	342
Tax	18	16	37
Profit after tax	121	138	305
Preference dividends	196	189	515
Profit attributable to ordinary shares	116	139	302
Extraordinary item	-	-	1
	116	139	303
Earnings per ordinary share			
- cents	122	138	314
Dividends - per ordinary share - cents	70	70	200
- absorbing - Rm	67	67	182
- times covered	1.8	2.0	1.8

## CONSOLIDATED BALANCE SHEET

	*AU 31 December 1992	* AU 31 December 1991	AU 30 June 1992
	Rm	Rm	Rm
Fixed assets	78	80	78
Investments	2 175	2 028	2 083
Mineral properties	193	193	193
Loans advanced	173	176	176
Net current assets	908	847	886
Current assets	986	927	964
Current liabilities	128	186	182
	858	741	782
Ordinary share capital	1 067	1 053	1 057
Reserves	1 704	1 607	1 743
	2 851	2 750	2 800
Preference share capital	127	127	127
Loans received	73	59	73
	3 000	2 936	3 000
Investments:			
Listed			
- Market value	5 547	7 557	6 871
- Excess over book value	3 896	5 791	6 132
- Provision for diminution in value	74	74	74
- Book value	1 577	1 732	1 799
	299	296	296
Unlisted			
- Book value	299	296	296
Number of preference shares in issue	4 390 058	4 385 721	4 389 721
Number of ordinary shares in issue	96 312 051	96 171 511	96 294 137
Net assets (in AU value) per ordinary share - cents	7709	9 794	9 610



## INTERNATIONAL COMPANIES AND FINANCE

## Westpac continues search for new chief executive

By Kevin Brown in Sydney

SHARES in Westpac, the troubled Australian bank, closed 6 cents lower at A\$2.79 yesterday after the board failed to meet its self-imposed deadline for the appointment of a chief executive.

Mr John Uhrig, chairman, told the annual meeting that the board was still considering a small group of candidates to replace Frank Conroy, who resigned in December after a boardroom row.

Mr Uhrig said 30 candidates had been contacted after an international search by a firm of executive headhunters.

The shortlist is believed to be headed by Mr Lindsay Pyne, former chief executive of the Bank of New Zealand.

The announcement disappointed the financial markets, and exacerbated criticism from more than 6,000 shareholders at the biggest annual meeting ever held in Australia.

Several shareholders claimed the board was unable to correct Westpac's bad-debt problems, which caused the bank to record a record A\$1.5bn (US\$1.1bn) net loss for the year to the end of September.

Five directors, including the then-chairman, resigned in October following the failure of shareholders to support a A\$1.2bn rights issue, which closed 72 per cent under-subscribed.



John Uhrig: met barrage of abuse from some shareholders

However, there was no intervention at the meeting by Mr Kerry Packer, the entrepreneur and investor who resigned from the board last week after failing to force through a radical cost-cutting programme.

Mr Packer, proprietor of the privately-owned Consolidated Press Holdings publishing group, owns shares and options equivalent to about 10 per cent of Westpac stock.

Mr Uhrig said Mr Packer's resignation was "unfortunate". He added that the board "knows there is a need for drastic change," but directors would not proceed at a pace which would damage the bank.

Mr Uhrig said Westpac's net profit in the first quarter of the current financial year was in line with the result in the comparable period of the previous year.

## JAL passes payout and warns of higher loss

By Charles Leadbeater in Tokyo

JAPAN Airlines, which last week announced a radical restructuring programme aimed at reversing pre-tax losses, forecast at ¥90bn (\$398m) for the year ending March, yesterday announced that it would not be paying a dividend.

The airline said it expected to make a parent company net loss of about ¥40bn for 1992-93. In November, JAL warned that parent company net losses for this year would total ¥100bn.

JAL, which plans to cut investment by ¥100bn and other costs by ¥100bn in the coming year, said the rise in the net loss for the year was partly due to the cancellation of plans to sell securities and property due to weak asset prices.

The airline made a pre-tax loss of ¥6.4bn last year. It plans to cut back investment in new aircraft and hiring of ground staff.

Under the restructuring plan announced last week, investment between 1993 and 1997 will be cut back from ¥1,600bn to ¥1,000bn.

JAL and All Nippon Airways have applied for new routes to Italy and China, Reuters reports. JAL is seeking to operate two return flights a week on its own from Tokyo to Rome via Milan. It currently operates the Tokyo-Milan-Rome route jointly with Alitalia of Italy. All Nippon has applied to operate three weekly return flights between Tokyo and Shanghai.

Toyota Motor Sales USA is to invest more than \$75m to establish a new North American parts logistics division and will increase its use of US-sourced parts to 50 per cent by 1995, Reuters reports.

## Curtain lifts on Indonesian drama

Astra affair sheds light on local conglomerates, says William Keeling

THE ownership crisis at Astra International, the company which dominates Indonesia's motor trade, has been a uniquely public brawl in a country which prefers to conduct its corporate dramas behind closed doors.

The resolution to the crisis, however, has been typically Indonesian, with the government forcing the Soeryadajaya family, the company's founders, to sell Rp1,000m (\$484m) of shares to a 19-member consortium of corporate and institutional investors. It has also given an insight into how Indonesian conglomerates work.

In the past two months, Astra, Indonesia's second-largest company, has undergone a radical change in ownership.

In November, the Soeryadajaya family owned 75m of the company's 242m shares. The remainder was split between the related Soeryadajaya family (6.5m), Mr Theodore Rachmat, Astra's president-director (4m), the International Finance Corporation (13m), the company's co-operatives (2m) and the investing public (38.5m).

The failure of the Soeryadajaya family to raise finance, however, forced the family to sell Astra shares to raise finance. Bank Summa's collapse resulted, say central bank officials, from excessive lending to other companies owned by the Soeryadajaya family, which have been unable to service the loans.

After selling Astra shares in three separate tranches, brokers estimate the Soeryadajaya family now hold just 12.4m Astra shares, with a further 20m shares held in escrow while negotiations for their sale continue with Toyota, Astra's main joint-venture partner.

State banks, trusts and pension funds have bought 68m shares from the Soeryadajaya family, indicating the close relationship between the state and private business in Indonesia.

However, the main interest of investors and bankers to Astra, which has foreign loans and facilities of more than \$800m, has focused on the consortium of 16 businessmen, most from Indonesia's powerful Chinese community, which this week bought 75m shares from the Soeryadajaya family.

Three businessmen formed the heart of the consortium, buying 30m shares: Mr Pralogo Pangestu, who runs the Barito Pacific timber group; Mr Liem Sioe Liong, principal shareholder in the Salim Group, Indonesia's largest conglomerate; and Mr Henry Pribadi, head of the Napan Group.

The three men's business interests, as with many of Indonesia's top conglomerates, often intertwine.

Their decision to buy into Astra also provides a clue to a possible future investor in the company if, as government ministers insist, state-owned Bank Exim and Bankindo seek a buyer for their 20m shares.

Bankers draw a parallel between Astra's problems and earlier occasions when major Indonesian businesses were on the point of collapse.

In 1990, bankers say, Mr Pangestu and Mr Liem co-ordinated the rescue of Bank Duta, majority-owned by three charitable foundations chaired by President Suharto, after it suffered \$419m in foreign exchange losses.

More recently, the two businessmen and Mr Pribadi have played a key role in Indonesia's nascent petrochemicals and plastics industry.

Mr Pangestu's Barito Pacific has been diversifying away from its core timber business, which includes more than 5m hectares of forestry concessions and plywood exports which in 1991 exceeded \$600m.

Two years ago, however, it formed a consortium with the Bimantara Citra, run by Mr Bambang Trihatmodjo, President Suharto's second son, and Mr Pribadi's Napan Group, to invest in the \$1.65bn Chandra Asri petrochemical plant in West Java.

Barito, Napan and Bimantara are also joint-venture partners in PT Polyta, which manufactures polymer resin in West Java.

Tri Polyta's polymer resin is the main input for Argha Karya, a recently-listed company which produces plastic wrapping film, the main shareholders of which are Napan and Mr Liem's Salim group.

The Salim group and Mr Henry Liem, nephew to Mr Liem, also hold a direct stake in the Napan group, whilst Mr Pribadi is on the board of Indocement.

Brokers expressed surprise that, given mutual business interests, the Bimantara group was not in the consortium buying a stake in Astra.

Bimantara and the Salim group are already joint-venture partners in Indomobil, Astra's main competitor, which assembles and distributes Volvo, Mazda and Nissan vehicles. Bimantara also has a stake in Star Motor, which holds the franchise for Mercedes cars.

"Don't be surprised if, when the state banks sell their shares, Bimantara steps in," says one foreign broker.

Brokers stress that, despite the companies' close connections, they are competitors. Joint ventures are favoured as a means of spreading risk and because they allow conglomerates to cross-lead through their subsidiary banks, brokers say.

Cross-lending allows conglomerates to undertake capital intensive projects, while keeping within central bank limits on internal lending. It was just these limits which Bank Summa broke with such devastating consequences for the Soeryadajaya family.

## Gold Fields' profits fall by 11%

By Philip Gawth in Johannesburg

GOLD Fields of South Africa (GFS) saw profits fall by 11 per cent in the six months to December.

The results were in line with expectations and represented a creditable performance under very difficult circumstances, the company said. It expected

earnings to remain under pressure, with little prospect of any short-term improvement in depressed commodity prices.

Income from investments fell by 6.5 per cent to R115m (\$37.4m) from R123m, while income from fees, interest and other sources dropped to R100m from R108m.

Pre-tax profit was 12 per cent lower at R136m and attribut-

able profit fell to R118m from R135m. The dividend was maintained at 70 cents per share on earnings which fell to 123 cents from 138 cents in 1991.

The majority of GFS's assets are in commodities - principally gold, lead, copper and zinc, as well as the developing platinum mine, Northern, which opens tomorrow.

## Goodman Fielder buys 50% of Taiwan group

By Kevin Brown

GOODMAN Fielder, the Australian food group, is to buy a 50 per cent interest in Goody Foods, a privately-owned Taiwanese manufacturer of frozen Chinese pastry products.

Goodman (formerly Goodman Fielder Watlie), would not reveal the purchase price, but

the deal is believed to be worth more than A\$20m (US\$13.5m).

Goody Foods, established in 1979 by Mr Hsiao Yeh, controls about 25 per cent of the A\$170m Taiwanese market for flour-based prepared foods. Goodman said it expected the market to be worth A\$500m a year by 2000.

Goody employs about 700 in two factories producing six

product lines under Dragon and Phoenix brands.

Its products are also sold in Japan, Korea, Europe and the US.

Mr Michael Nugent, Goodman chief executive, said Goody was "a very good fit" with Goodman's cereal-based businesses.

He said the investment would enhance the group's

knowledge of Asian markets. "Goody Foods' excellent distribution network also offers opportunities to market Goodman Fielder products in Taiwan. In addition, this venture will offer a good bridge to the Chinese market," Mr Nugent said.

Goodman has said it planned to spend A\$200m on expanding its Asian operations.

## Anglovaal Group

Mining companies' reports - Quarter ended 31 December 1992

## Hartebeestfontein Gold Mining Co Ltd

Reg. No. 253280006

Issued capital: 112 000 000 shares of 10 cents each

Quarter ended 31 December 1992

Six months ended 31 December 1992

Operating results

Ore milled

Gold recovered

Yield

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

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Revenue

Costs

Profit

Revenue

Costs

Profit

## Hartebeestfontein Gold Mining Co Ltd (continued)

Hedging transactions

As at 31 December 1992, the Company had sold portions of its future gold production as detailed below:

Quarter ending 31 December 1992

Six months ended 31 December 1992

Operating results

Ore milled

Gold recovered

Yield

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

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Profit

Revenue

Costs

Profit

## Eastern Transvaal Consolidated Mines Ltd

Reg. No. 010642000

Issued capital: 88 333 880 shares of 2.5 cents each

Quarter ending 31 December 1992

Six months ended 31 December 1992

Operating results

Ore milled

Gold recovered

Yield

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

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Revenue

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Profit

Revenue

Costs

Profit

## Ladang Gold Mines Ltd

Reg. No. 050613000

Issued capital: 16 986 986 shares of R1.00 each

Quarter ending 31 December 1992

Six months ended 31 December 1992

Operating results

Ore milled

Gold recovered

Yield

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

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Profit

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

Profit

## Ladang Gold Mines Ltd (continued)

Hedging transactions

As at 31 December 1992, the Company had sold portions of its future gold production as detailed below:

Quarter ending 31 December 1992

Six months ended 31 December 1992

Operating results

Ore milled

Gold recovered

Yield

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

Profit











## COMPANY NEWS: UK

# Yorkshire-Tyne Tees were 'high bidders'

By Raymond Snoddy

Mr CLIVE LEACH, group chief executive of Yorkshire-Tyne Tees Television, admitted yesterday that the group had been "high bidders" for its ITV franchise.

"I put my hands up," he said. "We have got to do something about it," he said after the group announced pre-tax profits of £23.6m for the year to September.

But interest yesterday was less in the 1991-92 results, than in what happens now that the merged company must pay £52.76m a year to the Treasury. This is the sum it bid to secure the new franchise plus 5.5 per cent of net advertising revenue — a low percentage for a company of its size.

The Exchequer levy was low in its final year. A total of £6.37m was paid to the government by Yorkshire, including a proportion of Tyne-Tees' dues. "It's going to be tough," conceded Mr Leach. But "like Mark Twain, rumours of our death have been much exaggerated."

Yorkshire-Tyne Tees would be in profit from year one, albeit at a lower level.

Mr Neil Blackley, media analyst at James Capel, believes the company will make £10.5m pre-tax this year, but that the figure will drop again to £7m in 1993-94 when Yorkshire will have its first 12-month financial year under the new franchise regime.



Clive Leach: rumours of our death have been much exaggerated

Yorkshire has been putting considerable emphasis on cost-cutting — reductions are already running at 11m in a full year — and on savings resulting from the merger, such as shared transmission and advertising sales effort.

Permanent staff would have come down from 1,257 in 1992 to 935 in March this year. "As we progress throughout the year there will be opportunities to improve our working practices which means looking at the numbers we employ," Mr Leach said. Although £1.1m was paid as a staff bonus in September

there would be a general salary freeze this year.

Yorkshire, in which Pearson, owner of the Financial Times, has a stake of just under 20 per cent, is forecasting that it will increase its share of ITV revenue from about 11.8 per cent to 12.2 per cent.

Net cash balances increased from £13.1m to £23.1m. "We are very comfortable," Mr Leach insisted. Earnings per share increased to 27.1p (22.9p). The final dividend was held at 8.7p, making a same-again total of 12p.

The share price gained 8p to close at 144p.

## Jobs to go as S&N closes loss-makers

By Daniel Grier

SMITH & Nephew, the healthcare company, is withdrawing from its loss-making cotton spinning and denim cloth manufacturing with the loss of 574 jobs.

The move marks the end of bulk manufacture of denim in the UK, priced out of the market by supplies from eastern Europe and Asia.

Smith & Nephew will close five sites in Lancashire and concentrate production of specialist fabrics at the main textiles site in Brierfield, Lancashire.

The production of basic gauze will also end. Mr John Robinson, chief executive, blamed "relentless and increasing competition from low-cost sources in developing countries" for the closures.

He said that voluntary redundancies and early retirement would be offered to staff but that compulsory redundancies would be necessary.

The five sites will be sold as industrial or retail units and the cash raised should pay for all but £1m to £2m of the costs of the closures, said Mr Robinson.

A new medical fabrics division has been created at Brierfield which will employ the remaining 636 staff.

The site will receive a £8m capital investment over the next two years to bring it up to the standard required for the manufacturing of bandages, dressing materials and other medical fabrics.

The company is in its close season ahead of final results and would not estimate the effect of the closures on its profit and loss account.

However, analysts said the closures would halve the £40m exceptional profit it made from the sale of its share of the Nivea skin care product brand last month.

There would be an increase in operating profits because cotton spinning and denim weaving was losing almost £1m a year.

## A testing time for Dobson Park

Andrew Bolger reports on a mining equipment joint venture

REGARDLESS of the outcome of Mr Michael Heseltine's review of the pit closure programme, Britain's mining equipment industry faces a testing time on the home front.

Dobson Park, which plans to put its hydraulic pit support and conveyor business into a joint venture with Mecco International, its main UK rival, said both companies had been facing an inexorable decline in their domestic market base, particularly since the announcement in October of British Coal's plan to close 30 of its existing 50 pits.

Dobson said: "The board hopes that the subsequent review initiated by the president of the board of trade will result in some amelioration of the closure programme but notwithstanding this, there seems little doubt that a further material decline in the demand for the division's mining equipment products will follow."

The Association of British Mining Equipment Companies estimates that its members export £400m from a total annual turnover of £900m. But the association has told the pit closure review that international sales will decline without a strong home market.

Abnec represents 50 manufacturers, with a combined

workforce of 22,000. It says that during the last four years, British Coal shrinkage has caused 54,000 redundancies among its members.

"The impact on members' finances has been severe, consequently many research and development programmes, which would have assisted in the exploitation of our overseas markets, have had to be cut. Many of our members will not survive further redundancies if the pit closures proceed."

If UK pits are reduced from 50 to 20, the association claims a further 15,000 employees would have to go. In addition it estimates that the value of exported mining equipment would be cut by a third.

Dobson's mining equipment division and Mecco have both shed about 1,000 jobs each over the last three years. Dobson employs about 1,300 people, 250 of them overseas, while Mecco has about 1,700 employees, several hundred of whom are in the US.

The new joint venture, Longwall International, will be strong in its international markets. Dobson and Mecco supply all British Coal's hydraulic pit supports for longwall seams. These inch forward, supporting the roof as a cutter tears out the coal. Between them they have 80 per cent of the UK

market for conveyors, which take the coal away. A full-face support installation, comprising between 120 and 150 units powered by hydraulic jacks, costs between £8m and £8m.

Longwall will have about 50 per cent of the US market for roof supports and face conveyor equipment, and strong positions in South Africa and Australia. Its main competitors are two German companies, Henschel and Westphalia-Berndt, but analysts said the UK group should benefit from the recent devaluation of sterling.

Although there is considerable scope for rationalisation of the Longwall in areas where the two companies compete directly, Mr Alan Kaye, Dobson Park's chairman, said there were also a lot of complementary activities.

Dobson had tended to concentrate on selling capital equipment, whereas Mecco had focused more on the aftermarket, rebuilding and refurbishing equipment. Dobson's strong American operation would be able to use Mecco's three US workshops.

Mr Kaye will be the first chairman of Longwall and its chief executive will be Mr Adrian Buckmaster, Mecco's chairman and chief executive. In their most recent results, Mecco made trading profits of

£8.6m on sales of £143.3m and Dobson Park's mining equipment division made trading profit of £7.4m on sales of £101m.

Dobson Park is contributing net assets of £25m to the joint venture, and Mecco is putting in assets worth a net £18m. To offset the disparity in contribution, Dobson Park will receive a guaranteed income stream from preference shares in Longwall and property rental. Dobson Park and the current shareholders in Mecco will each share 50 per cent of Longwall's own 50 per cent of Longwall's issued share capital. To balance the disparate interests of the shareholders, both Dobson Park and the Mecco management will each have 35 per cent of the voting rights of Longwall, the remaining 30 per cent being held by Dowty Group, Westpac Banking Corporation and National Westminster Bank.

Although the link-up clearly raises concerns about competition, Mr Kaye said he was reasonably confident of clearance by the UK regulatory authorities.

It seems unlikely that Mr Heseltine, the trade and industry secretary, who has already tried to close most of the UK's pits, would block this attempt to form a more significant force in the international mining equipment market.

## Eurotherm second half boost

By Angus Foster

PROFITS at Eurotherm, the temperature control and drives company, more than doubled last year helped by cost cutting and improved margins.

Pre-tax profits increased from £7.15m to £14.6m in the year to October 31 last. At the interim stage, profits were 46 per cent ahead at £6.7m.

Mr Jack Leonard, chairman, said it was a "year of reconstruction" after the company misjudged the depth of recession and had to attack its cost base.

Rationalisation costs of £2.4m were taken in the previous year, with a further £500,000 charged as an administrative expense this time. In the last two years employees have fallen by nearly one-third to just over 2,000.

Turnover fell from £157.7m

to £154.6m following the disposal of half way through the year of two unprofitable subsidiaries which had annual sales of about £2m. Mr Leonard said Eurotherm's maintained levels of sales in shrinking international markets suggested the company had improved market share.

Eurotherm continued to generate cash, despite an increase in capital expenditure from £4.7m to £5.3m. Net borrowings fell from £16.5m to £7.4m while gearing dropped from 30 per cent to 12.9 per cent.

Earnings increased from 10.5p to 22.3p. The directors proposed a final dividend of 8p (4.7p) to make a total of 8p (7.2p), an increase of 11 per cent.

COMMENT

These results were well received, even through the scale of recovery is flattered by

comparison with a poor 1991. With the benefits of restructuring largely on board, Eurotherm appears close to recovering historical levels of profitability. Gross margins have improved by 3 percentage points to 48 per cent, and should rise beyond 50 per cent in the medium term. Meanwhile, this year's profits are partly underwritten by currency factors since, with 70 per cent of sales overseas, average sterling exchange rates are likely to be beneficial. However, all this good news is already in the price, especially after yesterday's 84p rise to 495p. The shares have now risen more than 30 per cent since the start of December. Forecast profits this year of £18m put them on a prospective p/e of more than 15. Amid a sector long on recovery plays, Eurotherm is starting to look expensive.

## Henderson to cut TR staff

HENDERSON Administration, the fund management company, has said it would make redundant nearly half the staff of Touche Remnant, the investment trust manager it recently acquired for £42.4m, writes Norma Cohen.

Of 186 Touche Remnant employees, 76 will lose their jobs.

As a result of the redundancies, Henderson will incur a £1.4m charge to cover the cost of compensation, including pension commitments which will be taken in the accounting period ending March 31. The company is considering capitalising the charge instead of reflecting its impact in the profit and loss statement.

Meanwhile, Henderson said the cost savings would be considerably in excess of the charge, but would flow through in subsequent years. The redundancies include back office staff, sales and marketing. No senior fund managers will be affected.

## Daejan slips to £8.21m

Profits of Daejan Holdings, the property group, declined from £8.77m to £8.21m over the half year ended September 30.

The directors, however, anticipated that profits for the full year would not be dissimilar to the previous year's £16.23m pre-tax.

Gross rental income improved to £7.91m (£6.94m). The improvement largely reflected additional income arising from recent purchases. The interim dividend is held at 15p and is being paid from earnings of 33.65p (34.98p).

## Exceptional lifts A Lee to £3m

By Peter Pearce

PRE-TAX profits at Arthur Lee & Sons, the manufacturer of steel and plastic products in which Carcio Engineering lifted its stake to 29.99 per cent in October, advanced from £261,000 to £2.98m in the year to September 30.

The pre-tax rise was helped by a £1.51m (£148,000) exceptional credit from the sale of the Warrington site and by a reduction in interest payable to £1.08m (£1.48m).

Mr Peter Lee, chairman, said Carcio's stake was "a worry" and "not of our choosing". However, Mr Mike Thompson, corporate development manager at Carcio, described the stake as "a trade investment".

Lee's operating profits grew to £2.56m (£3.2m), though the contribution from continuing activities slipped to £2.53m (£3.71m).

Losses at Lee Bright Bars and Bell & Harwood — sold in August to UES Holdings for about £7.5m, thereby all but eliminating group borrowings — and Plutec were cut to £968,000 (£1.51m). Group turnover was down at £101.6m (£105.6m) — a result of the downward pressure

on prices, said Mr Lee. Capital expenditure was £2.12m (£3.9m) and in the past five years totalled £12.5m, compared with a depreciation charge of £12.5m.

In plastics, operating profits rose to £1.3m (£535,000) on turnover of £12.8m (£12.5m). Mr Lee said that the group would like to be bigger in plastics, though it was on the look-out for acquisitions in either plastics or steel.

The emphasis would be on acquiring products, rather than markets. In steel, operating profits declined to £2.23m (£2.87m) on reduced turnover of £51.5m (£54.9m).

Mr Graham Holland, finance director, said that if one stripped out all management charges, only Stainless Steel Stockholders had a loss.

Mr Lee said there were now "some signs of recovery in the UK and US economies", especially in the manufacture and sale of cars, an important market for Lee. Exports to the US were up by a quarter. He added, however, that things were weaker in Europe.

The final dividend is held at 4.25p for a maintained 5.5p total, payable from earnings of 7.32p (5.52p) per share.

## Receivers continue Lilley sales

RECEIVERS to Lilley have announced further progress in selling the businesses and contract assets of companies within the Glasgow-based contracting and construction group.

The rights to the contracts of both Henry Jones Construction and Eden Construction have been sold to the Kier Group, while negotiations for the sale of MDW, the Glasgow-based subsidiary, are far advanced and it is anticipated that a deal will be concluded today.

Earlier this week, Lilley Construction (Scotland) was sold to Sunley Turfiff Holdings in a deal which was described by Sunley, a subsidiary of Lonrho, as a strategic move into civil engineering and into Scotland.

## MSL

MSL Group International, the human resourcing consultancy of 32 Aybrook Street, London W1, wishes to make clear that it has no connection with the London-based marketing consultancy, Marketing Solutions Limited, referred to in the FT article of January 15 as MSL, in which The Birkdale Group is reported to have acquired an 80 per cent stake.

## PIRELLI TYRE HOLDING N.V.

Established in Amsterdam

Notice to shareholders of Pirelli Tyre Holding N.V.

Extraordinary General Meeting of Shareholders January 15, 1993  
On Friday January 15, 1993 the Extraordinary General Meeting of Shareholders of Pirelli Tyre Holding N.V. decided on the issue of 46,533,000 new shares of NLG 10 nominal value at NLG 10 by way of a private placement with Pirelli S.p.A. of 36,856,800 shares and with Stichting Escrow PTH shareholders.

Warrant issued by Stichting Escrow PTH  
Existing shareholders, with the exception of the registered shareholdings belonging to the Pirelli Group, are entitled to receive one warrant per share, issued by Stichting Escrow PTH. Each warrant entitles the holder thereof to purchase one share Pirelli Tyre Holding N.V. of NLG 10 nominal value at the exercise price of NLG 10. The exercise period will commence on the first day the Amsterdam Stock Exchange is open for trading following the adoption of the 1992 Annual Accounts of Pirelli Tyre Holding N.V. by the General Meeting of Shareholders, and will end 6 calendar months afterwards. The warrants will be represented by one definitive Global Warrant, transfer of the warrants will be made by giro.

Information Memorandum and trading  
The Information Memorandum in the Dutch language as well as in the English language will be published on the day of the announcement of the General Meeting of Shareholders of Pirelli Tyre Holding N.V. in which the 1992 Annual Accounts will be referred to for adoption which is expected to fall in the first week of June. Application will then be made to list the warrants on the Amsterdam Stock Exchange so from the first day this stock exchange is open for trading following adoption of the 1992 Annual Accounts. Before such date the warrants cannot be traded.

Instructions to shareholders in regard of obtaining warrants  
Shareholders who have deposited their shares of Pirelli Tyre Holding N.V. with a bank or stockbroker will be informed by their bank or stockbroker of the number of warrants allocated in respect of their shares.

With a view to the allocation of warrants, shareholders who keep their shares at home should deposit these with a bank or stockbroker not later than January 29, 1993. The allocated warrants will be transferred by giro to the relevant bank or stockbroker on February 1, 1993. If the shares are and/or withdrawn charges, deposited shares can be withdrawn after January 29, 1993, allocated. Pirelli Tyre Holding N.V. themselves will inform holders of registered shares of the warrants allocated.

January 20, 1993, Amsterdam

PIRELLI

مكتبة من الأصول

## HSBC Holdings plc



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the holding company for the HSBC Group  
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Sir Peter Walters, Deputy Chairman  
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H Schmen, OBE  
J E Strickland

### Advisers to the Board

F R Frame  
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The British Bank of the Middle East  
Hongkong Bank of Australia Limited  
Midland Bank S.A.  
The Cyprus Popular Bank Limited  
Hongkong Egyptian Bank S.A.E.  
The Saudi British Bank

Merchant Banking and Capital Markets  
Carroll McEntee & McGinley Incorporated  
Equator Bank Limited  
Euromobiliare SpA  
James Capel & Co. Limited  
James Capel S.A.  
Samuel Montagu & Co. Limited  
Trinkaus & Burkhart KGaA  
Van Meer James Capel N.V.  
Wardley James Capel Limited  
Wardley Limited

Insurance  
Carlingford Insurance Company Limited  
Gibbs Hartley Cooper Limited  
Gibbs Insurance Consultants Limited  
HSBC Life Limited  
Midland Life Limited  
Investment Management  
Guyerzeller Bank AG  
James Capel Asset Management Limited  
Marinvest, Inc.  
Wardley Investment Services Limited

Private Banking  
The British Bank of the Middle East  
Guyerzeller Bank AG  
The Hongkong and Shanghai Banking Corporation (CJ) Limited  
HSBC Bank (Luxembourg) S.A.  
Trinkaus & Burkhart KGaA  
Wardley Limited

Finance  
Concord Leasing, Inc.  
Forward Trust Group Limited  
Griffin Factors Limited  
Hang Seng Finance Limited  
Hongkong Bank International  
Trade Finance Limited  
MidAval Asia Pte Ltd  
Wayfoong Finance Limited

Trustee and Nominee Companies  
Hongkong Bank International Trustee Limited  
Hongkong Bank Trustee Limited  
Hongkong & Shanghai Banking Corporation (Nominees) Limited  
Midland Bank Trust Company Limited  
Wardley Nominees Limited

Associated companies are shown in italics

Fast decisions. Worldwide.



# Backers sought as Glass Glover continues to deliver the goods

**F**IVE YEARS after leaving the stock market by way of a controversial management-led buy-out, Glass Glover, Doncaster-based provider of warehousing and distribution services to retailers like Tesco, is again seeking the glare of a listing.

The company has changed considerably since the July 1988 buy-out. The previous management took the company private warning that hard times were ahead, especially in its largest business of fresh produce and growing. The move was soured when Scottish Amicable threatened not to sell its stake, believing the offer price was too low.

In retrospect, shareholders may count themselves lucky they got out. By the end of 1988, the fresh produce and growing division was in trouble due to margin pressure. Schroder Ventures, which arranged the buy-out and now owns almost all of the company, demanded action.

Senior management was replaced and the fresh produce and growing division sold to concentrate on developing the

distribution business.

As a result, there should be no unpleasant aftertastes when the company returns to the market, possibly at the end of next month or in March, with a public offer and placing valuing it at between £40m and £45m.

The new-look Glass Glover earns more than 90 per cent of revenues from warehousing and distribution, also known as logistics. The remainder stems from support services like software, security services and vehicle contracting.

Turnover has increased steadily, growing from £45.2m in 1989 to about £85m in the year to September 30 last year. Almost 75 per cent of sales came from distribution for three clients, Tesco, Littlewoods and Asda. Logistics companies often rely on only a few clients because contracts are long term and depend on close relationships.

Tesco, easily its biggest client, accounted for 44 per cent of revenues. Glass Glover runs three of Tesco's eight composite, or multi-temperature, warehouses and is one of Tesco's

A logistics group is returning to the market. Angus Foster reports

largest external distributors.

Glass Glover is returning to the stock market partly for the prestige of a listing. But it mainly needs to pay off borrowings taken on during the buy-out which have constrained the company ever since.

**N**et debt stands at about £35m compared to shareholders' funds of £5m. Although operating profits have increased from £4m in 1989 to £5.5m last year, the company continued to lose money after interest costs.

Mr David Medcalf, chief executive, said the listing proceeds should leave Glass Glover free of debt.

"We're a well regarded company with an appealing balance sheet. We want to rectify that, to remove the debt and thereby also remove a difficulty in obtaining new business."

"Some clients have joined at our balance sheet, and also the fact we are not a listed company, and wondered if they

really want to do business with us," he said.

Mr Medcalf arrived in May 1989 on the recommendation of Mr Eric Walters, a partner at Schroder Ventures and chairman of Glass Glover since 1988.

The two had worked together at Grand Metropolitan, the food and retailing group, where Mr Medcalf was director of accounting at IDV, GrandMet's drinks division. He said he joined Glass Glover partly because he wanted to move into general management.

Mr John Adamson, managing director of the distribution division, joined in 1989 from NFC, while Mr Chris Ferris, finance director, joined from Hillside Distribution. Mr Medcalf said two non-executive directors would have joined the board by the time of the float.

Glass Glover's reliance on providing distribution services for food retailers is a strength, but its exposure to single sector is also a weak-

ness.

The company has tended to specialise in high volume, temperature controlled distribution. Its Tesco warehouse at Doncaster, for example, has temperature controlled store-houses ranging from room temperature for ambient products to minus 30 degrees for frozen foods. It also operates composite trailers which can transport goods at three different temperatures.

This kind of distribution is more service intensive and sophisticated than delivering clothing or manufactured products. It is also difficult for new companies to enter the market because of the skills involved and the need for consistently accurate collection and drop off. "We're only as good as today's deliveries," according to Mr Medcalf.

Glass Glover hopes to use its reputation as a food logistics company to break into other sectors. "If we can handle perishable food, we can handle anything," Mr Medcalf said.

The first significant non-food contracts were won last month when Glass Glover was appointed by Do it All, the DIY retailer, to manage its transport and national distribution centre, to be built at Tamworth. The four and five year contracts are worth at least £30m in terms of turnover, the company said.

Mr Medcalf believes there is "enormous opportunity" in new sectors for Glass Glover, and said the company had recently been invited to tender for a contract for a food manufacturer, rather than retailer.

**D**etails of the flotation are yet to be finalised, although Schroder Ventures will retain about 10 per cent of the shares, with management holding up to 5 per cent. The prospectus is likely to show profits after tax for last year of £3.5m on a pro forma basis, which assumes the proceeds of the flotation had cancelled out interest charges.



Keep on trucking: David Medcalf hopes listing will remove obstacles to gaining business in new areas

Transport analysts said Glass Glover's respected client list, and its position as one of only a handful of pure distribution companies on the market, suggested the flotation would generate interest.

However, the company's turbulent recent history and short track record may frustrate Glass Glover's hopes of gaining a rating in line with the highly regarded logistics sector of about 15 times earnings.

## Lower interest charge behind 41% rise at Aim

By Matthew Curtin

**A**IM Group, the aircraft cabin interior maker, reported a 41 per cent jump in pre-tax profits to £1.45m in the half year to October 31, thanks to a £460,000 reduction in its interest bill.

The improvement was achieved on a lower turnover of £19.4m (£25.2m), which reflected the disposal of the unprofitable air conditioning contracting division in May.

The £2.5m raised from the sale led to a reduction in interest charges from £682,000 to £222,000.

Earnings improved by 2p to 6.8p and the interim dividend is a same-again 1.5p. Mr Jeff Smith, chairman, said interest charges would fall again by the year-end, but the group had decided against raising the interim dividend in order to conserve cash for sharp increases in working capital requirements envisaged for 1994-95.

Aim's contracts with Airbus

and McDonnell Douglas had not translated into increased turnover because of the aircraft makers' cuts announced last year. The group was currently between major contracts - the refurbishment of VC10s, completed last year, and the new Saab 2000 turbo-prop aircraft - but business would pick up strongly from mid-1993.

Aim would equip only three Saab aircraft by the year-end, but fit 12 to 15 next year and another 34 the year after. It also had contracts for McDonnell's MDX helicopter and the new EH101 Westland helicopter.

The group was confident it would meet the May 1994 deadline for repaying its bankers the £8m debt they rescheduled when Aim's abortive foray into property threatened to sink the group in 1991. Although property sales amounted to less than £1m in the period, one property was 90 per cent let.

### NEWS DIGEST

## Davenport Vernon advances

**DAVENPORT** Vernon, the multi-franchise motor group, increased its pre-tax profits by 14.7 per cent to £1.45m in the year to September 30 on turnover which rose from £99.73m to £114.15m.

Mr Ralph Denne, chairman, said that as a result of the difficult conditions in the industry, opportunities had arisen which allowed the group to take the initiative to increase substantially the size of Davenport during the year.

He pointed out that since the flotation in March 1989, the number of motor operations had increased from 14 to 21.

Earnings per share have risen 11 per cent from 7.3p to 8.1p, but the dividend total is held at 4p with a proposed final payment of 2.5p.

## Decline at Central Motor Auctions

A sharp fall in pre-tax profits, from £2,050,000 to £550,000, was announced by Central Motor Auctions, the USM-quoted motor vehicle auction group, for the year to October 31.

Part of the reduction resulted from an interest charge of £292,000 as against interest received of £344,000.

The dividend is being held at 4p via an unchanged final of 3.4p. Earnings per share fell to 5.46p (11.66p).

## Practical Inv Trust net assets increase

Practical Investment Trust reported an increase in net assets per share to 136.2p as at November 30 1992, against 129.88p a year earlier.

Net revenue, however, dropped from £565,901 to £326,087 in the six months and earnings per share were 2.83p (2.83p). The interim dividend has been maintained at 1.1p.

## Dares extends banking facility

Dares Estates, the property investment and development group, has reached agreement with its principal bankers for an additional working capital facility of £1m and a formal standstill arrangement until April 15.

During this period, it is anticipated that the ongoing negotiations for the reorganisa-

tion of Dares' financial arrangements and capital structure will be finalised.

## Exceptional charge leaves Hawtin lower

Hawtin, the leisure and fitness group which also has interests in textiles and property, was hit by an exceptional charge of £482,000 which reduced pre-tax profits to £1.04m for the year ended September 30, against £1.4m previously.

Before the item - relating to a liability on a London property lease - profits were 9 per cent higher at £1.53m.

Earnings per share were 1.04p (1.71p) and the dividend has been increased from 0.86p to 0.89p.

## Rise in net assets at First Philippine

Net asset value for the First Philippine Investment Trust increased from 38.1p to 65.44p over the year to October 31.

Net revenue for the 12 months to the end of October was £119,500 (£288,000) for earnings per share of 0.34p (0.53p). A single final dividend of 0.3p (0.55p) is proposed.

## Claythorpe's losses deepen to £1.1m

An increased pre-tax loss of £1.1m for the half year to September 30, against £645,000, has been announced by Claythorpe, the investment company. Net assets at the end of the period were 86p basic, or 87p diluted, against 94p six months earlier.

Turnover on continuing operations rose from £8.65m to £10.1m.

Mr John Jones, chairman, said most of the businesses performed satisfactorily. However, significant losses were incurred in two of the former BETEC engineering companies and provisions had been made for their reorganisation. There were further provisions of £1.2m against property values.

Losses per share were 9.6p basic (2p) or 4.7p (1p) diluted. The interim dividend is held at 0.75p per share.

## Jupiter European net asset value at 91.2p

Jupiter European, the split capital investment trust, reported net assets per ordinary and zero dividend share as at October 31 of 91.2p, of which 25p related to the zero dividend share. That compared with 79.9p per ordinary share a year earlier.

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 A.M. ON WEDNESDAY, 27TH JANUARY 1993; OR LODGED BY HAND AT THE CENTRAL GLITS OFFICE, BANK BUILDINGS, 19 OLD JEWRY, LONDON EC3R 6EU, NOT LATER THAN 10.00 A.M. ON WEDNESDAY, 27TH JANUARY 1993; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON TUESDAY, 26TH JANUARY 1993.

### ISSUE OF £2,500,000,000 8½ per cent TREASURY LOAN, 2007 FOR AUCTION ON A BID PRICE BASIS

PAYABLE AS FOLLOWS:

Deposit on application:  
with a competitive bid £30 per cent  
with a non-competitive bid £40 per cent

Balance of purchase money:  
On Monday, 22nd February 1993 £30 per cent  
On Thursday, 15th April 1993 £30 per cent

INTEREST PAYABLE HALF-YEARLY ON  
16TH JANUARY AND 16TH JULY

This Loan will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Act 1925, and the interest payable thereon will be secured by a charge on the assets of the Bank of England, and the interest payable thereon will be secured by a charge on the assets of the Bank of England, and the interest payable thereon will be secured by a charge on the assets of the Bank of England.

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive bids for the above Loan.

2. The principal of and interest on the Loan will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

3. The Loan will be repaid at par on 16th July 2007.

4. The Loan will be issued in the form of stock which will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1883. Stock registered at the Bank of England will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1882 and the relevant subordinate legislation. Transfers will be free of stamp duty.

5. On or after 11th June 1993 stock may be exchanged into bonds to bearer which will be available in denominations of £100, £200, £500, £1,000, £5,000, £10,000 and £50,000. Bonds will be free of stamp duty.

6. Stock will be interchangeable with bonds without payment of any fee.

7. Interest will be payable half-yearly on 16th January and 16th July. Interest will accrue from Thursday, 28th January 1993 and the first interest payment will be made on 16th July 1993 at the rate of £3.231 per £100 of the Loan. Warrants for interest on stock will be transmitted by post; income tax will be deducted from payments of more than £5 per annum. Interest on bonds to bearer, less income tax, will be paid by coupon.

8. Stock and bonds of this issue and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the stock or bonds are in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

9. Further, the interest payable on stock or bonds of this issue will be exempt from United Kingdom income tax, present or future, so long as it is shown that the stock or bonds are in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

10. For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

11. Applications for exemption from United Kingdom income tax should, in the case of interest on stock, be made in such form as may be required by the Commissioners of Inland Revenue. Sealer bond coupons will be paid without deduction of United Kingdom income tax if accompanied by a declaration of ownership in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inspector of Foreign Dividends, Inland Revenue, Lynnwood Road, Thames Ditton, Surrey, KT7 0DP.

12. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Management Act 1970, Section 49 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purposes of the income tax law as income of any person resident or ordinarily resident in the United Kingdom.

### Method of Application

13. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with this prospectus. Each application form must comprise published with this prospectus. Each application form must comprise published with this prospectus. Each application form must comprise published with this prospectus.

14. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than 10.00 A.M. ON WEDNESDAY, 27TH JANUARY 1993; or lodged by hand at the Central GLITS Office, Bank Buildings, 19 Old Jewry, London EC3R 6EU, not later than 10.00 A.M. ON WEDNESDAY, 27TH JANUARY 1993; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than 3.30 P.M. ON TUESDAY, 26TH JANUARY 1993. Bids will not be revocable between 10.00 a.m. on Wednesday, 27th January 1993 and 10.00 a.m. on Monday, 1st February 1993.

15. Each bid must be for a minimum amount and in a multiple of the Loan as follows:-

Amount of the Loan applied for  
Competitive bids (minimum £500,000)  
£500,000-£1,000,000 £100,000  
£1,000,000 or greater £1,000,000

Non-competitive bids (minimum £1,000)  
£1,000-£10,000 £1,000  
£10,000-£50,000 £5,000  
£50,000-£500,000 £25,000

### 16. COMPETITIVE BIDS

(i) Each competitive bid must be for one amount and at one price expressed as a multiple of £1 and must be for a minimum of £500,000 nominal of the Loan.

(ii) Unless the applicant is a member of the CGO Service, a separate cheque representing a DEPOSIT AT THE RATE OF £40 FOR EVERY £100 NOMINAL OF THE LOAN BID FOR, must accompany each competitive bid. Cheques must be drawn on a

branch or office, situated within the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited.

(iii) Her Majesty's Treasury reserve the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and allotments will be made to applicants whose competitive bids are at or above the lowest price at which Her Majesty's Treasury decide that any competitive bid should be accepted. The lowest accepted price will be the price at which the competitive bids are accepted and which are made at the lowest accepted price may be allocated in full or in part only.

### 17. NON-COMPETITIVE BIDS

(i) A non-competitive bid must be for not less than £1,000 nominal and not more than £500,000 nominal of the Loan, and must be in one of the multiples described in paragraph 15 above.

(ii) Only one non-competitive bid may be submitted for the benefit of any one person. Multiple applications or suspected multiple applications are liable to be rejected.

(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing a DEPOSIT AT THE RATE OF £40 FOR EVERY £100 NOMINAL OF THE LOAN BID FOR, must accompany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(iv) Her Majesty's Treasury reserve the right to reject any non-competitive bid. All allotments which are made to non-competitive applicants will be made in full AT A PRICE THE NON-COMPETITIVE ALLOTMENT PRICE. TO BE APPLIED TO THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED, the average being weighted by reference to the amount accepted at each price and ROUNDED DOWN TO THE NEAREST MULTIPLE OF £100 OF £1.

(v) If the non-competitive allotment price is less than £100 per cent, the amount by which the amount paid as deposit exceeds the non-competitive allotment price will be returned by cheque despatched by post at the risk of the applicant.

(vi) If the non-competitive allotment price is greater than £100 per cent, applicants whose non-competitive bids are accepted may be required to pay a further deposit equal to the non-competitive allotment price less £100 for every £100 nominal of the Loan allocated to them. An applicant from whom a further deposit is required will be notified by letter by the Bank of England of the amount of the Loan allocated to him and of the further deposit due, but such notification will confer no right on the applicant to transfer the amount of the Loan as allocated. The despatch of allotment letters to applicants is subject to the payment of his cheque, but such notification will confer no right on the applicant to transfer the amount of the Loan as allocated.

18. Her Majesty's Treasury may allot to applicants less than the full amount of the Loan. Any balance of the Loan not allotted to applicants will be allotted at the lowest accepted price to the Governor and Company of the Bank of England, Issue Department.

19. Letters of allotment in respect of the amount of the Loan allotted, being the only form in which the Loan (other than amounts held in the CGO Service for the account of members) may be transferred prior to registration, will be despatched by post at the risk of the applicant, but the despatch of any letter of allotment, and any refund of the balance of the amount paid as deposit, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the amount of the Loan allocated to him and of the further deposit due, but such notification will confer no right on the applicant to transfer the amount of the Loan as allocated.

20. No allotment will be made for a less amount than £1,000 of the Loan. In the event of partial allotment, the balance of the amount paid as deposit will, in multiples of £100, amounts of the Loan allocated to him and of the further deposit due, but such notification will confer no right on the applicant to transfer the amount of the Loan as allocated.

21. Letters of allotment may be split into denominations of multiples of £100 on written request to the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW received not later than 13th April 1993. Such requests should be accompanied by a letter from the applicant, signed by the applicant, and the letter should be accompanied by the letters of allotment (but a letter cannot be split if any payment is overdue).

22. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section D of the application form, request that any amount of the Loan allotted to him be credited directly to his account in the CGO Service, 28th January 1993 by means of a letter of allotment delivered from an account in the name of the Governor and Company of the Bank of England, New Issues Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 28th January 1993 will constitute a request for the amount of the Loan to be paid by cheque. A member of the CGO Service may also, subject to the provisions governing membership of that Service, surrender a partly-paid letter of allotment to the CGO for cancellation and for the amount of the Loan credited to him to be credited to the member's account. The member who is shown by the accounts of the CGO as being entitled to any amount of the Loan shall, to the exclusion of all persons previously entitled to such amount of the Loan and any person claiming any entitlement thereto, both be treated as entitled to such amount of the Loan as if that member were the holder of a letter of allotment and be liable for the payment of any amount due in respect of such amount of the Loan. A member will be entitled at any time prior to registration to withdraw, in multiples of £100, amounts of the Loan credited to the member's account and to obtain a partly-paid letter of allotment comprising such amount of the Loan, and such member shall be liable for the payment of all amounts becoming due thereafter in respect of such amount of the Loan unless and until that letter of allotment is surrendered to the CGO for cancellation as aforesaid.

23. Payment of the call due on 22nd February 1993 and the final instalment due on 15th April 1993 must be sent to the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW. Payment in full may be made at any time after allotment but no discount will be allowed on such payment. Interest may be charged on a day-to-day basis on any overdue amount which may be accepted at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1 per cent per annum. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate. Default in due payment of any amount in respect of the Loan will render the relevant amount of the Loan and any amount surrendered prior to registration, accompanied by a completed registration form, when the balance of the purchase money is paid, unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 15th April 1993; in the case of the amounts of the Loan held for the account of members of the CGO Service payment of the call and the final instalment and registration of amounts of the Loan will be effected under separate arrangements.

24. Until the close of business on 11th June 1993, stock issued in accordance with this prospectus will be known as 8½ per cent Treasury Loan, 2007 "B". The interest due on 18th April 1993 will be paid on holdings of "B" stock registered as at the close of business on 11th June 1993; consequently, interest mandates, authorities for income tax exemption and other notifications recorded in respect of holdings of existing stock will not be applied to the payment of interest due on 18th July 1993 on holdings of "B" stock.

25. Transfers of 8½ per cent Treasury Loan, 2007 "B" may be lodged at the Bank of England for registration in that form up to 9th June 1993. After this date, for purposes of certification, the "B" stock will not be distinguished from the existing 8½ per cent Treasury Loan, 2007. From the opening of business on 14th June 1993, the "B" stock will be amalgamated on the register with the existing stock. CGO account balances will have been amalgamated from the opening of business on 10th June 1993.

26. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central GLITS Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU; or at any of the Branches or Agencies of the Bank of England, the Bank of Ireland, Moyness Buildings, 1st Floor, 20 Colindale Avenue, Colindale, BT1 5BN; or at any office of The International Stock Exchange in the United Kingdom.

**Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Loan is issued or sold or by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.**

BANK OF ENGLAND  
LONDON

19th January 1993

19th January 1993

### ISSUE OF £2,500,000,000 8½ per cent Treasury Loan, 2007 FOR AUCTION ON A BID PRICE BASIS

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/we apply in accordance with the terms of the prospectus dated 19th January 1993 as follows:-

SECTION A THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

1. Nominal amount of the above-mentioned Loan applied for, which must be a minimum amount and in a multiple as follows:-  
Amount of the Loan applied for Multiple  
Competitive bids (minimum £500,000)  
£500,000-£1,000,000 £100,000  
£1,000,000 or greater £1,000,000  
Non-competitive bids (minimum £1,000)  
£1,000-£10,000 £1,000  
£10,000-£50,000 £5,000  
£50,000-£500,000 £25,000

SECTION B FOR COMPETITIVE BIDS ONLY (i.e. for allotment to be made at the price bid)

Price bid per £100 nominal of the Loan, being a multiple of 1/32nd of £1:-

Amount of deposit enclosed, being LESS 50p for every £100 NOMINAL of the Loan applied for (shown in Box 1 in Section A):-

SECTION C FOR NON-COMPETITIVE BIDS ONLY (i.e. for allotment to be made at the non-competitive allotment price as defined in the prospectus)

Amount of deposit enclosed, being £40 (b)



## COMMODITIES AND AGRICULTURE

## Brazil and Colombia strike agreement on coffee quotas

By Bill Hinchberger in Sao Paulo

BRAZIL AND Colombia, the world's leading coffee exporters, will take an agreed set of target quotas for their shipments to the meeting of producer countries starting today in London.

Brazil will propose that its quota be set at 27 per cent of the market, while Colombia will seek 18 per cent, according to Mr Rubens Barbosa, a Brazilian diplomat who is the lead negotiator for his country's delegation to talks on the international Coffee Agreement. The quota targets are based on exports in the two years to October 1992.

The preliminary meetings among producer countries are

a prelude to formal negotiations on the international accord set to reopen on February 1. At the end of last year, negotiators resolved to extend the deadline for completion of an accord to March 31.

The two countries determined their quota targets this week in Brasilia, during meetings between Brazilian officials and Mr Jorge Cardenas Gutierrez, head of Colombia's Fedecafé. Representatives of the Brazilian Coffee Committee, a private sector umbrella group, participated in the discussions.

Officials from the two countries reached a consensus about selectivity for importers between different types of coffee - the lack of which was an important factor in the collapse of the last quota agree-

ment in July 1989. Mr Barbosa declined to go into details, but said under the Brazil/Colombia proposals selectivity would be structured around the main four types of coffee. The rest, he said, "is mechanics for the technicians to resolve".

Brazilian and Colombian officials habitually meet prior to talks on the accord in London. Mr Barbosa added that Brazil has held similar discussions recently with Central American producers.

While producers appear to be forging a consensus, the position of consumers remains in doubt because of the change in the American administration. Mr Barbosa said the US has yet to reveal who will head the negotiating team representing President Bill Clinton.

## Saga joins Shell in Russian oil pact

By Karen Fossell in Oslo

SAGA PETROLEUM, Norway's biggest independent oil company, and Shell Exploration, a unit of the Royal Dutch/Shell group, announced yesterday an agreement to co-operate with three Russian companies in developing oil and gas fields in the Timan-Pechora basin in the northern Russian Archangel province.

"Shell is joining Saga in an agreement of intentions previously entered between Saga

and the Russian enterprises Severgasprom, Arkhangelskgeologia and Ukhangelgas-geologia regarding the creation of a joint venture," Saga Petroleum explained. The joint venture being negotiated is a proposed 50:50 Russian and foreign co-operation, and aims to develop discovered oil and gas fields.

Severgasprom, the leading Russian partner in the pact, has applied for exploitation licences on behalf of the group. The licences comprise the oil

fields Mid and North-Kharyaga and five gas and gas condensate fields.

Saga said the joint venture also aimed to apply for exploration and production licences for an area near the discovered fields.

One appraisal well is planned this year on the Mid-Kharyaga field which may be cored, logged and tested by western contractors financed by Saga and Shell.

For two years Saga and its Russian partners have been

negotiating a joint venture agreement and undertaken joint petroleum reserves studies, technical development scenarios and economic feasibility studies, but Saga said further appraisal activities, studies and commercial negotiations were required before the commercial viability of the fields could be declared.

Saga said the group aimed this year to conclude a feasibility study, environmental impact study and a joint venture agreement.

## Discoveries triple Ecuadorean reserves

By Raymond Collet in Quito

FOLLOWING several oil discoveries in Ecuador's Amazon region, and new studies by the French Petroleum Institute, the country's proven reserves have almost tripled from 1.48bn barrels to 4.2bn. At the present rate of production the country's reserves will last well into the next century.

The most recent discovery was in the Tiputini field in the eastern most region of Ecuador. The exploratory well Fish-

tingo 1 alone indicated about 337m barrels, almost equal to the estimated reserves for the Tiputini and nearby Tanacocha field together.

Mr Ricardo Estrada, the executive director of Petroecuador, the state-owned oil company, said it was now obvious that "the prospects of further increasing the petroleum reserves of the country are excellent".

In order to tap other potential reserves in the area, Petroecuador will hold another

round of bidding for exploration in the near future.

Before exploiting the new reserves, five more exploratory wells are planned for the area. Furthermore, 150 km of road and 300 km of pipeline need to be constructed north-west to Lago Agrio, from where the Trans-Ecuadorian pipeline will transport the oil across the Andes to the Pacific ports.

Petroecuador calculates that the project requires an investment of US\$280m over six

years. The field's production time is estimated at 22 years, with a maximum daily output of 45,000 barrels a day.

In order to transport the heavy crude from Tiputini, it needs to be mixed with a lighter crude from the Panacocha field. Until a more efficient and economic form of transport is available Petroecuador is expected to push the development of the field while the lighter crude is still available to mix with its oil.

## Malaysia plans big cocoa export drive

By Kieran Cooke in Kuala Lumpur

MALAYSIA, the world's fourth biggest cocoa producer after the Ivory Coast, Brazil and Ghana, plans a sales drive in China in an effort to diversify export markets and improve prices.

Mr Lim Keng Yaik, the Malaysian primary industries minister, will lead a trade team to China in April. Last year China imported more than 40,000 tonnes of Malaysian cocoa, compared with 6,000 tonnes in 1989. According to Malaysian statistics, 70 per cent of China's cocoa imports

come from Malaysia. The Malaysian Cocoa Board says the country produced 184,000 tonnes of cocoa last year, down from 230,000 tonnes in 1991. Cocoa prices stand at about M\$2.100 (US\$840) a tonne, up from M\$1,800 last August but down from M\$2,900 a year ago.

## Plan for India's biggest copper smelter

By Kunal Bose in Calcutta

STERILITE INDUSTRIES, an Indian copper rod producer, is to develop the country's largest copper smelter project at a cost of Rs7bn (£16m).

The plant, on a 550-acre site at Ratnagiri in Maharashtra, is scheduled to start commercial production at its 60,000 tonnes-a-year design capacity by July 1995.

Annual capacity could rise to 100,000 tonnes for an additional Rs1.5bn investment.

MIM Holdings of Australia will supply copper smelting and refining technologies to Sterilite, and arrange the

import of necessary equipment. The main plant and machinery will, however, be manufactured in India to specifications provided by Davy Power Gas.

The Australian company has supplied similar smelter technology to 15 operations around the world and says they are performing well.

By the time the Sterilite smelter, the first in the private sector, goes on stream, Indian demand for copper will have increased to 300,000 tonnes from 150,000 tonnes.

The government-owned monopoly Hindustan Copper produces only about 45,000

tonnes. India's annual copper imports amount to more than 100,000 tonnes.

The country has more than 8m tonnes of copper reserves. But the copper content in ore of most deposits is less than 1 per cent - with small traces of precious metals - making the mining of ore for producing copper economically unviable.

To maintain the viability of Hindustan Copper, the federal government imposed a duty of nearly 90 per cent on imported copper.

Sterilite's policy of producing copper from imported concentrate has a better chance of proving profitable.

## Minneapolis exchange sees big future for shrimps

THE MINNEAPOLIS Grain

Exchange, best known for spring wheat futures, is planning to cast its net wider by introducing a shrimp contract, reports Reuters from Minneapolis.

"It's highly unusual... but there are some very good reasons to trade shrimp," said exchange president Mr James Landau yesterday. "Our con-

tract is going to be based principally on white shrimp which is grown mainly in Ecuador," Chinese shrimp will also be allowed.

"Research indicates that the timing is right for a shrimp futures market. Extremely volatile prices, which used to be much more predictable, dramatic increases in US shrimp consumption and momentous

changes in production have meant high risk for importers, end users and producers," he said. The exchange will also seek approval for a shrimp options contract.

Mr Landau said the MGE's board of directors approved the proposal and had submitted it to its members. Member approval is expected by January 29 and the exchange will

then submit the plan to the Commodity Futures Trading Commission, the US commodities watchdog, the following week. Assuming CFTC approval, the contract could begin trading by the end of the summer, Mr Landau said.

Ecuador produces about 73 per cent of the farm-raised shrimp in the western hemisphere.

## Ecuador in a bind over EC banana quotas

Raymond Collet reports on the looming crisis for growers and the national economy

THE CRISIS provoked by the European Community's import restrictions on Latin American bananas is hitting home in Ecuador - making banana growers angry but largely helpless.

In Ecuador an estimated 100,000 jobs are at stake with expected losses of up to US\$70m.

Demonstrators dumped truck loads of bananas in front of the French embassy in Quito and burned the French flag in protest.

About 2,000 banana producers, later rallying before the British and German embassies, where they met consulate personnel, also called on their government to develop an aggressive strategy of response and reprisal.

Yet there is little the Ec-

adorian government can do against the EC's decision, besides scouring international trade agreements for articles that might be used in support of official complaints. Even so, the minister of industry and commerce, Mr Mauricio Pinto, complained that Ecuador could do little against an economically powerful EC, whose decision was largely unilateral.

At negotiations we were also left behind closed doors, looking through the keyhole to see what they [EC] would decide next," he said.

In December the EC's agricultural ministers imposed a 2m tonne annual (down from 2.5m) quota on the importation of Latin American bananas, as well as a 20 per cent tariff. Sales exceeding the 2m tonne

quota are subject to a 170 per cent tariff, equivalent to US\$1,050 per tonne. The National Assembly of Banana Growers and Mr Mariano Gonzalez, the minister of agriculture, accused the EC of preaching free trade while imposing restrictive measures. "How are we supposed to pay foreign debt, reduce unemployment and fight drug trafficking, which is increasingly invading Europe," they asked.

Mr Ignacio Perez, under secretary in the Ministry of Agriculture, warned that what is happening today with bananas was a sign of what might happen in future with other commodities if Ecuador continued to be pushed aside by the great economic blocs.

Nevertheless, Ecuador, the

world's largest banana exporter, is not likely to institute any reprisal measures - these would affect other sectors of its economy more than they would hit the European Community.

A joint Latin American response is expected when the president of the region's banana producing countries meet in Guayaquil, an Ecuador port, on February 10.

"More realistic than fighting the EC's decision," says Mr Gonzalez, "is for Ecuadorians to look for markets elsewhere and become more competitive."

Of the 2.5m tonnes of bananas Ecuador exported in 1992, more than 40 per cent went to the EC. In the short term Ecuador has managed to sell 32,000 tonnes to Iran, but compared with its present 315,000 tonnes

## Crunch time for the better-bred potato crisp

By Hilary Barnes in Copenhagen

A PROBLEM which has long bothered the potato crisp industry will be eliminated if field trials on a genetically modified potato this year by Maribo Seeds are successful.

Mr Leif Kjaergaard, managing director of the company, which is a subsidiary of the Danisco sugar and distilling group, said that discoloring arises if carbohydrates in the potato break down into sugar when the crisps are dipped in frying oil.

Maribo Seeds has modified the carbohydrate make-up in a strain of potatoes, reducing the sugar content.

The potato has been developed in co-operation with the European Chips and Snacks Association and the European Community.

## Nickel mine runs out of ore

THE NAMEW Lake nickel mine in Manitoba, Canada, which started production in 1988, is to close permanently at the end of this year because it has run out of ore. The mine, which had been producing 9,000 tonnes of nickel concentrate a year, is 80 per cent owned by Hudson Bay Mining and Smelting, a Minneco subsidiary, and Placer Dome, the state-owned Finnish group, owns the rest. Namew employs 170 and some will be moved to other mines.

## MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market, 99.6 per cent, \$ per tonne, in warehouse, 1,670-1,710 (same).

BISMUTH: European free market, 99.9 per cent, \$ per lb, in warehouse, 2,20-2,40 (same).

CADMIUM: European free market, 99.5 per cent, \$ per lb, in warehouse, 0.40-0.50 (0.45-0.55).

COBALT: European free market, 99.5 per cent, \$ per lb,

in warehouse, 15.20-15.90 (15.40-16.00).

MERCURY: European free market, 99.99 per cent, \$ per 76 lb flask, in warehouse, 120-140 (same).

MOLYBDENUM: European free market, drummed molybdenic oxide, \$ per lb Mo, in warehouse, 1.85-1.95 (same).

SELENIUM: European free market, 99.5 per cent, \$ per lb, in warehouse, 4.70-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 85

per cent, \$ per tonne unit (10 kg) WO<sub>3</sub>, cif, 40-40 (same).

VANADIUM: European free market, min. 98 per cent, \$ a lb V<sub>2</sub>O<sub>5</sub>, cif, 1.75-1.85 (same).

URANIUM: Nuxeo exchange value, \$ per lb, U<sub>3</sub>O<sub>8</sub>, 7.55 (7.90).

MINOR METALS STOCKS (As at Monday's close)

Aluminium +5.700 to 1,611,025  
Copper +5.200 to 311,200  
Lead unchanged at 230,000  
Nickel +1.674 to 75,642  
Zinc +5.200 to 900,330  
Tin +80 to 10,720

## MARKET REPORT

The GOLD price held on to early

gains inspired by fears over the Middle East situation, although dealers said the prospect of further central bank sales meant that the underlying tone was bearish. The London bullion market price closed at \$325.25 a troy ounce, up \$1.10 on the day. BASE METAL trading was routine on the London Metal Exchange, with all the markets suffering from a lack of news, and prices were mostly higher at the close. At the London Futures and Options Exchange COCOA and COFFEE prices rallied following Monday's falls.

## London Markets

SPOT MARKETS

CINCHONINE (per barrel FOB/Net) + or -  
Dibol \$11.95-5.00 -3.25  
Brent Blend (diesel) \$18.90-0.20 -2.75  
Brent Blend (Mar) \$17.20-0.30 -0.20  
WTI (1 pm oil) \$18.70-8.80 -2.55

QIL prompt delivery per tonne CIF + or -

Promium Gasoline \$183-165 -2  
Gas Oil \$168-160 -2  
Heavy Fuel Oil \$71-72 -1  
Naphtha \$178-180 -2.5

Other + or -

Gold (per troy oz) \$329.25 +1.1  
Silver (per troy oz) \$370.25 +3  
Platinum (per troy oz) \$338.85 +1.65  
Palladium (per troy oz) \$108.75 +1.1

Copper (US Producer) 105.5c

Lead (US Producer) 35.5c

Tin (Kuala Lumpur market) \$4.71

Tin (New York) \$72.5c +1

Zinc (US Prime Western) 62.0c

Cattle (live weight) 119.50p +0.85

Sheep (live weight) 78.34p +1.11

Pigs (live weight) 78.34p +1.11

London daily sugar (raw) \$215.7 -1.4

London daily sugar (white) \$226.0 -0.8

Tate and Lyle export price \$248.0 -1.5

Barley (English feed) 114c

Wheat (US No 3) \$161.0

Maize (US Dark Northern) 114c

Rubber (RSS No 1) 237.00m -0.25

Rubber (RSS No 2) 237.00m -0.25

Rubber (RSS No 3) 237.00m -0.25

Cocoa oil (Philippines) \$455.00 +2.5

Cocoa oil (Malaysia) \$457.50 +2.5

Cocoa (Philippines) \$275 -5

Cocoa (US) \$174

Cotton "A" index \$7.50c +0.15

Wool (US Super) 38p

Cocoa futures were boosted by

constructive sentiment on charts and news that Gill & Duffus, the London trade house, had raised its estimate of the world supply deficit for 1992-93. The May contract ended the day at £736 a tonne, up £18. Coffee prices were marked higher following an overnight rally in New York and the March position closed at \$987 a tonne, up \$10. Some traders believed, however, that the overall decline might not yet be over.

Compiled from Reuters

SUGAR - London FOM (5 per tonne)

Year	Close	Previous	High/Low
Mar	181.00	180.00	180.00-180.00
May	193.00	193.00	192.00

White (5 per tonne)

Year	Close	Previous	High/Low
Mar	251.50	251.50	252.50-250.70
May	252.80	252.50	253.50-251.80
Jul	256.50	256.50	257.50-255.90
Oct	262.30	262.30	264.00-261.50
Mar	250.40	250.40	250.00

Turnover: 154,647 (261,396)

CINCHONINE - London FOM (5 per tonne)

Year	Close	Previous	High/Low
Mar	17.22	17.46	17.45-17.17
May	17.39	17.39	17.35-17.34
Jul	17.51	17.51	17.46-17.51
Oct	17.64	17.64	17.54-17.64
Mar	17.72	17.72	17.70-17.72
Aug	17.87	17.87	17.87
Sep	17.91	17.91	17.90-17.91
Turnover	15,447 (261,396)		

CINCHONINE - London FOM (5 per tonne)

Year	Close	Previous	High/Low
Mar	163.00	163.00	163.00-163.00
May	163.00	163.00	163.00-163.00
Jul	163.00	163.00	163.00-163.00
Oct	163.00	163.00	163.00-163.00
Mar	163.00	163.00	163.00-163.00
May	163.00	163.00	163.00-163.00
Jul	163.00	163.00	163.00-163.00
Oct	163.00	163.00	163.00-163.00
Mar	163.00	163.00	163.00-163.00
May	163.00	163.00	163.00-163.00
Jul	163.00	163.00	163.00-163.00
Oct	163.00	163.00	163.00-163.00
Mar	163.00	163.00	163.00-163.00
May	163.00	163.00	163.00-163.00
Jul	163.00	163.00	163.00-163.00
Oct	163.00	163.00	163.00-163.00
Mar	163.00	163.00	163.00-163.00
May	163.00	163.00	163.00-163.00
Jul	163.00	163.00	163.00-163.00
Oct	163.00	163.00	163.00-163.00
Mar	163.00	163.00	163.00-163.00
May	163.00	163.00	163.00-163.00
Jul	163.00	163.00	163.00-163.00
Oct	163.00	163.00	163.00-163.00
Mar	163.00	163.00	163.00-163.00
May	163.00	163.00	163.00-163.00
Jul	163.00	163.00	163.00-163.00
Oct	163.00	163.00	163.00-163.00
Mar	163.00	163.00	163.00-163.00
May	163.00	163.00	163.00-163.00
Jul	163.00	163.00	163.00-163.00
Oct	163.00	163.00	







### NOTE 2.1 FUTURE - Cont.

**INVESTMENT TRUSTS - Cont**

## NOTES & LECTURE - CONT.

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March 1968	5	1968	5	1968	5
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Size Allmax	250	-4	250
Topdownmark D/W	200	+17	200

	Index	Points	+ or -	High
5-Year T-B	100	100	0	100
10-Year T-B	100	100	0	100
20-Year T-B	100	100	0	100
30-Year T-B	100	100	0	100
1-Month T-B	100	100	0	100
3-Month T-B	100	100	0	100
6-Month T-B	100	100	0	100
1-Year T-B	100	100	0	100
2-Year T-B	100	100	0	100
3-Year T-B	100	100	0	100
4-Year T-B	100	100	0	100
5-Year T-B	100	100	0	100
6-Year T-B	100	100	0	100
7-Year T-B	100	100	0	100
8-Year T-B	100	100	0	100
9-Year T-B	100	100	0	100
10-Year T-B	100	100	0	100
11-Year T-B	100	100	0	100
12-Year T-B	100	100	0	100
13-Year T-B	100	100	0	100
14-Year T-B	100	100	0	100
15-Year T-B	100	100	0	100
16-Year T-B	100	100	0	100
17-Year T-B	100	100	0	100
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33-Year T-B	100	100	0	100
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35-Year T-B	100	100	0	100
36-Year T-B	100	100	0	100
37-Year T-B	100	100	0	100
38-Year T-B	100	100	0	100
39-Year T-B	100	100	0	100
40-Year T-B	100	100	0	100
41-Year T-B	100	100	0	100
42-Year T-B	100	100	0	100
43-Year T-B	100	100	0	100
44-Year T-B	100	100	0	100
45-Year T-B	100	100	0	100
46-Year T-B	100	100	0	100
47-Year T-B	100	100	0	100
48-Year T-B	100	100	0	100
49-Year T-B	100	100	0	100
50-Year T-B	100	100	0	100
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71-Year T-B	100	100	0	100</

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Connecticut	24
Delaware	24
District of Columbia	24
Florida	24
Georgia	24
Hawaii	24
Idaho	24
Illinois	24
Indiana	24
Iowa	24
Kansas	24
Kentucky	24
Louisiana	24
Maine	24
Maryland	24
Massachusetts	24
Michigan	24
Minnesota	24
Mississippi	24
Missouri	24
Montana	24
Nebraska	24
Nevada	24
New Hampshire	24
New Jersey	24
New Mexico	24
New York	24
North Carolina	24
North Dakota	24
Ohio	24
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## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Debate about the dollar

THE DOLLAR lost another pennig in European trading yesterday as dealers continued to wonder whether the US currency's recent rally was sustainable, writes James Blyth.

The dollar has lost more than four pennies since its close in London on Friday night, and yesterday bottomed out at around DM1.6060 before closing at DM1.6110 against the D-Mark.

There are certainly technical factors behind this latest fall, which follows the sharp rise above DM1.55 at Christmas-time. A rise of that speed and scale was always certain to be followed by some profit-taking.

However, there appears to be a growing feeling in the London market that this new fall reflects a fundamental reassessment of where the currency is heading in the first quarter of this year.

Mr Mark Brett, a currency economist at BZW in London, is among those analysts who believe that the sharp US economic recovery of recent months cannot be sustained.

"Rather than being a period of accelerating US recovery, 1993 will be another year of bursts of nothing happening," he says.

economic recovery seen in last week's impressive retail sales figures, which showed an 8 per cent rise from the previous December, is unsustainable.

He points to the sharp drop in the savings ratio in the US, from 5 per cent of gross income in the summer to 4 per cent last month, as a sign that consumers are using savings rather than newly-generated money to buy goods.

This view is far from universally held. Mr Mark Slater, Managing Director of foreign exchange at Merrill Lynch International Bank in London, said yesterday that the dollar was a little overbought, but predicted a dollar rate of DM1.65 before the end of the first quarter.

He believes that German short term rates should be down by about 250 basis points before the end of the third quarter, and that this is certain to underpin the dollar. He also believes that the central banks

have used up a lot of their dollar reserves in recent months, buying the D-Mark for dollars, in order to repay the Bundesbank for recent intervention.

The market's attention may now be on whether the dollar falls below the significant technical support level of DM1.60. That is the average level of the dollar/D-Mark exchange rate calculated over the last 30 days.

A chart line drawn between the two recent troughs for the dollar/D-Mark in October and DM1.55 in December - should show the currency at DM1.60 at the present time.

A weak dollar might raise new tensions in the European exchange rate mechanism. But yesterday brought another day of consolidation, with Denmark cutting interest rates by one percentage point, to 13 per cent, without this weakening the krone.

## EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	Rate	% Change
Belgium	100 Franc	36.36	-0.01
France	100 Franc	6.55	-0.01
Germany	100 Mark	1.93	-0.01
Italy	100 Lira	1,936	-0.01
Netherlands	100 Guilder	2.36	-0.01
Portugal	200 Escudo	200.48	-0.01
Spain	166.6 Peseta	166.6	-0.01
UK	100 Pounds	1.93	-0.01

Source: Reuters. Rates are for 100 units of the foreign currency against 100 units of the US dollar.

Forward rates and discounts apply to the US dollar.

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## FINANCIAL FUTURES AND OPTIONS

## LIVE LONG GILT FUTURES OPTIONS

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## MONEY MARKET FUNDS

## Money Market Trust Funds

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Previous day's open, 11,170 Puts 2002







3 pm January 19

## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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هـ: أم الكتاب



**NASDAQ NATIONAL MARKET**

3 pm January 19

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-1/2	Non Inds	0.40	20	44	u4 1/2	24	24 1/2	Unigonal	0.31	7	322	u4 1/2	4 1/2	4 1/2	+1/2
	Hornbeck	57	042	u7	6 1/2	6 1/2	Oshap	25	859	u8 1/2	7 1/2	8	+1/2		
+1/2	Hornbeck	0.30	22	27	7 1/2	7	7	Unigonal B	0.41	20	68	21 1/2	21 1/2	+1/2	
	Hornbeck							Oshap T	0.60	18	54	u11	10 1/2	11	+1/2

- W -

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Joslyn	0.52	18	12	27½	680½	27½	+½	Hallye	25	47½	19	18½	18½	-½
JBB Fin	0.56	13	389	22¼	21½	32¼	+½	Rodolfo	187	1404	8	7	7½	+¾
Louis E	0.36	21	500	18	617	17½	-½	Raymond	30	7	w15	d14	14½	-½

**FINANCIAL TIMES**

**Perrier battle ends with something for everyone**

## FT SURVEYS



